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Tuesday June 12 1990

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FOREIGN AFFAIRS
Springtime for Europe
Page 18

World News

Poindexter jailed over Iran-Contra scandal

John Poindexter, national security adviser to former President Ronald Reagan, was sentenced in Washington to six months in prison for attempting to cover up the Iran-Contra scandal.

The sentence makes him the only person jailed of the seven convicted of Iran-Contra crimes. His was the last major case pursued by the special prosecutor. He remains free pending appeal. Page 6

Bucharest scuffles

Armed troops and police scuffled with demonstrators outside the Romanian government headquarters in Bucharest. The incident followed a government meeting with hunger strikers who accuse it of neo-communist tendencies.

Offer to Lithuania

The Soviet government has agreed to negotiate with Lithuania on the basis of its offer to freeze laws passed to bolster its March 11 declaration of independence, a senior Lithuanian official said. Gorbachev crisis, Page 20

Rafsanjani escape

Iranian President Hashemi Rafsanjani escaped an attempt on his life by a bodyguard in April, the third such incident in eight months, according to Iran's dissident group Mujahideen Khalq.

Meech Lake threat

Newfoundland Premier Clyde Wells has raised a new threat to Canada's Meech Lake constitutional accord by calling a free vote in the provincial legislature on the controversial agreement. Page 6

Bolivian kidnap

Hooded gunmen kidnapped Bolivian industrialist Jorge Lonsdale, chairman of Coca-Cola's subsidiary in Bolivia, as he drove to work.

US flag law quashed

The US Supreme Court struck down, by five votes to four, a federal law against burning the American flag. Page 6

Liberian killings

Men wearing army uniforms killed nine people at a settlement near the embattled Liberian capital, Monrovia, casting a shadow over peace talks due to start between government and rebels this week.

Chinese reshuffle

The leadership of China's 3.5m-strong People's Liberation Army has been reshuffled to ensure its loyalty to the Communist Party, following last year's anti-government demonstrations. Page 8

Indians blamed

An Indian Supreme Court judge said Indian troops had committed "flagrant violations" of human rights in detaining Kashmiri journalist Yusuf Jameel.

Warning to Israel

Leaders of the 30-month-old Palestinian uprising described Israeli Prime Minister Yitzhak Shamir's new coalition as a "terrorist government" and urged Arabs to fight it. Knesset approves coalition, Page 8

Tamil ambush

Tamil separatist guerrillas, who have been talking peace, ambushed a military truck and killed 10 soldiers in Ampara, eastern Sri Lanka.

Manila murder

Gunmen shot dead Philippines Air Force Colonel Saturnino Dumlao after ramming his car with a van. It was the sixth Manila street ambush in less than three weeks.

Hooligans sentenced

Two West German football hooligans were jailed for a year each and 43 others deported following incidents before and after Sunday's World Cup game between West Germany and Yugoslavia in Milan.

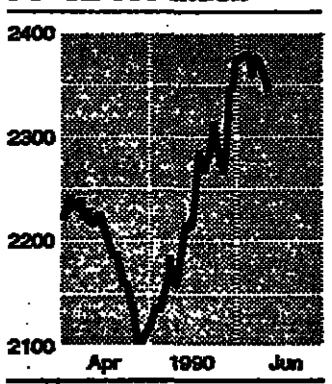
Business Summary

EC ministers agree on corporate tax package

European finance ministers removed three important obstacles to the single market, by agreeing a package of corporate taxation directives that have been blocked for 21 years. The breakthough agreement will be welcomed by European businesses, which have for years put agreement on these stubborn measures at the top of their 1992 shopping list. The agreement is symbolic as it is the first real sign that countries are prepared to co-operate on tax matters, an area in which almost no progress had been made. Page 3

MARKETS: In Wall Street the Dow Jones Industrial Average was up 30.19 at 2,892.57 at the close. Frankfurt remained under pressure and the DAX index closed at 1,809.66, down 12.57. In Tokyo, the Nikkei finished down 453.11 at 32,540.18. Page 48. In London, the FT-SE Index finished the day at 2,348.8 for a loss of 17.8 after news of

FT-SE 100 Index



sharp and unexpected rise in UK retail sales in May. London Stock Exchange, Page 37

THE BANK for International Settlements, main international forum for central banks, has expressed growing concern about the fragility of financial markets. Page 4

JAPAN and US trade harmony is in danger of crumbling, as each country begins to raise doubts about the other's commitment to trade promises. Page 6

PERSTORP, Swedish special chemicals and plastics group, acquired West German company H. Hänssling, which makes components for the automotive industry. Page 22

HUNGARY has secured $280m of short-term loans from western central banks as part of its efforts to shore up foreign bank confidence. Page 20

CREDIT LYONNAIS, state-controlled French bank, strongly supported its London-based securities and capital markets operation. Page 20

SCANDINAVIAN Airlines System (SAS) and Swissair have gone ahead with a share swap of 7.5 per cent in each other. Page 21

DEUTSCHE BANK, West Germany's largest financial institution, will open for business in East Germany on the day of currency union, with a complement of 130 branches and more than 7,000 staff. Page 20

BRITISH STEEL declared a 24 per cent increase in pre-tax profits to £733m ($1.23bn) for 1989-90 but steel demand is running 15 per cent below the 1989 peak. Page 21

EC presented plans for dismantling curbs on world trade in textiles and clothing. Page 6

BRITISH retail sales volume index retail sales in May rose by 1.1 per cent. Page 10

LEBANESE pound reached an all time low of 667 to the US dollar. Page 8

NEW FT LISTING: From today the investment trust listings within the Financial Times's London Share Service will carry estimates of each trust's net asset value (NAV) and of the discount at which each trust share price typically stands in relation to that asset value.

UK plans to take sterling into ERM later this year

By Philip Stephens, Political Editor, in London

THE British Government is preparing to take sterling into the European Monetary System's exchange rate mechanism as early as September or October, provided the pound is strong on foreign exchange markets.

The Treasury has concluded in recent meetings that despite an expected jump in the recorded inflation rate over the next few months, the balance of argument has tilted firmly towards joining by this autumn.

The exact timing will depend on sterling sustaining its relatively strong performance over the past few months and perhaps appreciating.

Mr John Major, the Chancellor of the Exchequer, is said to be convinced that Britain must join the ERM at a relatively high exchange rate in order to protect his anti-inflation strategy.

The Thatcher Government also believes that it would be better to join with the wide 6 per cent bands currently enjoyed by Spain rather than the 2.25 bands applied to other EMS currencies. Its reasoning is that the wide bands would allow an initial fairly large appreciation in the pound's value before the London came under pressure to cut interest rates.

Senior figures involved in the discussions say that a final decision has not been made. There is said to be a residual concern among some ministers that when the moment for entry arrives Mrs Margaret Thatcher, the Prime Minister, might yet attempt to block it.

That anxiety has been increased by the fact that Mrs Thatcher has begun again to seek the advice of Sir Alan Walters, her former aide on economic policy. Sir Alan, whose position in Downing Street was the catalyst for the resignation last October of Mr Nigel Lawson as Chancellor, is a fierce opponent of the EMS.

It is understood that Sir Alan has seen Mrs Thatcher informally on several occasions over the past few months to offer his views on economic strategy.

The Prime Minister, however, is said to have assured her colleagues that she does not intend to reverse the decision she made earlier this year when she finally dropped her longstanding veto on full British membership.

Mrs Thatcher signalled this change of view publicly for the first time at the Scottish Conservative Party conference last month. The view then was that Britain would join the EMS at the end of this year or early in 1990.

In particular, the expected rise to close to 10 per cent in the inflation rate measured by the retail prices index in August was seen as an obstacle to immediate membership. That figure will be published in September.

Both Mr Major and Mrs Thatcher, however, have prepared the ground for early entry by emphasising that the key condition for entry set at the 1989 Madrid summit – that inflation should be closer to the European average – applies to the underlying rate. That rate is currently running at around 6¾ per cent against the average of about 5 per cent in the rest of the Community.

The current view is that if sterling is locked in at a relatively high rate against the D-Mark, it will reinforce the attempts to close that gap. The Treasury acknowledges there is a risk that it could bring pressure for premature cuts in interest rates, but that would be offset by a relatively high central rate for sterling and the possibility of an initial 6 per cent appreciation.

From a political perspective, a decision to join sooner rather than later would limit the risk that a period of initial turbulence within the system might jeopardise the Government's prospects in the general election due by mid-1992.

More broadly, full membership of EMS would strengthen the Government's hand in the negotiations which begin later this year on full Economic and Monetary Union.

Mrs Thatcher remains adamently opposed to a commitment to EMU, citing clear decisions by the House of Commons against agreeing to the eventual creation of a single European currency.

Mr Major and Mr Douglas Hurd, the Foreign Secretary, appear to have been convinced, however, that Britain must adopt a more positive approach if it is not to risk being isolated in the Community.

Although the terms of ERM entry would have to be negotiated with Britain's partners, the Government is confident that its change of heart will be welcomed and will be taken as a signal of its positive approach to closer European integration.

UK retail sales, Page 10

Pöhl suggests dual-speed union

By Lucy Kellaway in Luxembourg and Stephen Fidler in Basle

MR Karl Otto Pöhl, president of the West German Bundesbank, yesterday raised the possibility of dual-speed European monetary union, with France, Germany and the Benelux countries moving ahead, and other countries - including Britain - following later.

"What I could envisage is a smaller number of countries would start with a European Central Banking System and others who have not reached the same degree of convergence are invited for later," Mr Pöhl told journalists.

Mr Pöhl, who heads the EC committee of central bank governors, spoke after outlining their preparations for a future European central bank to Community economic and finance ministers in Luxembourg.

The Bundesbank president's view contrasted with that expressed yesterday by Mr John Major, the UK Chancellor, who said that everyone should move together.

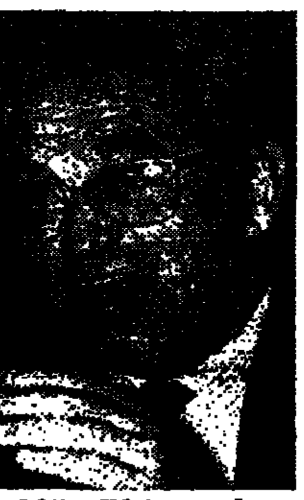
Mr Mario Sarcinelli, chairman of the EC Monetary Committee said that although it would be preferable for all 12 member countries to proceed towards monetary union at the same rate, a dual-speed approach might be necessary.

Earlier yesterday the EC's central bank governors – in Basle for the annual meeting of the Bank for International Settlements (BIS) – agreed to establish what Mr Pöhl described as the nucleus of a European central bank.

Speaking after a meeting of the EC central bank governors' committee, Mr Pöhl said the governors had decided to enlarge the committee's secretariat and appoint a full-time chief executive.

The new secretary-general of the EC governors' committee will be Mr Gunter Baer, BIS assistant manager.

A structure of alternates would also be created, headed by Mr Jean-Jacque Rey of the Belgian National Bank. Five economists, from the central banks of France, Belgium, Italy, Spain and the UK, were also appointed as an economic unit. Three sub-committees



Karl Otto Pöhl: two speed

were set up to focus on monetary policy, foreign exchange and banking supervision.

The moves complete central bank preparations for the first phase of the three-stage process towards European economic and monetary union. The first phase, including the liberalisation of capital movements within the EC, will come into force on July 1.

The enlarged secretariat would provide a "strong nucleus for a European central bank system," he said after the Basle meeting, although he said later that the description "might be going a little bit far." Central bank governors would begin to discuss European Monetary Union next month, the Bundesbank president said.

Mr Wim Duisenberg, the BIS chairman and head of the Dutch central bank, said there was a large measure of consensus among European central banks that the future single central bank of Europe "should have price stability as its future objective."

In a speech to the BIS annual meeting, Mr Duisenberg said the "central bank will be best able to carry out its main task effectively if

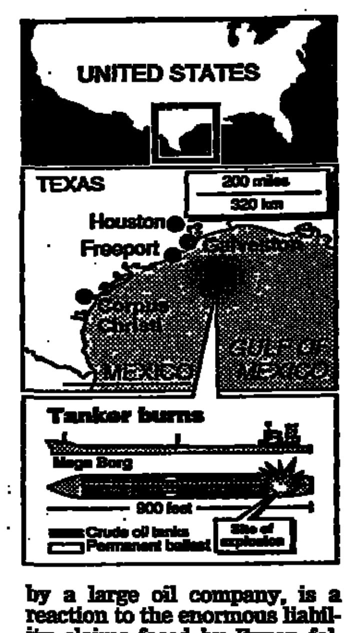
Continued Page 20

Hungary secures loans, Page 20; BIS annual report, Page 4

Shell bars many US shipments on fears of claims

By Steven Butler

FEARS OF huge liability claims in the event of an oil spill have prompted Royal Dutch/Shell, one of the world's two largest oil companies, to suspend deliveries of crude oil in its own ships to dozens of US ports.



The move came as US firefighters struggled to extinguish a blaze aboard the Norwegian supertanker, the Mega Borg, in the Gulf of Mexico. The Coast Guard said the stern of the crippled tanker slipped beneath the water yesterday, increasing the risk that it might sink.

The blaze roused fears that the tanker might lose its cargo of 38m gallons of oil, potentially the largest oil spill in US history.

Firefighters were using a dispersant on oil slicks seeping from the vessel, stranded 57 miles south-east of Galveston, Texas. They brought in supplies of foam to try to smother the blaze.

If their efforts fail and the vessel splits, it could lead to an environmental disaster and renewed pressure to restrict oil industry operations in the US.

Shell's decision to suspend deliveries, the first of its kind by a large oil company, is a reaction to the enormous liability claims faced by Exxon following its spill of 11m gallons of oil in the Prince William Sound in Alaska more than a year ago. This has cost Exxon more than $2bn so far, excluding sums reimbursed by

Continued on Page 20

Banks near accord on Trump debt plan

By Alan Friedman in New York

A GROUP of leading US banks was close yesterday to agreeing a $2bn debt rescheduling package for Mr Donald Trump, the cash-starved casino and property mogul.

A proposal that would allow Mr Trump to obtain about $50m of fresh loans and suspend interest payments on his bank debt was yesterday put to about a dozen smaller bank creditors by the informal 'steering committee of Mr Trump's four big creditor banks.

The leading banks - which have been holding debt talks with Mr Trump for a fortnight - are Citicorp, Chase Manhattan, Bankers Trust and Manufacturers Hanover. A spokesman for Mr Trump said he would make no comment "until the negotiations are over."

The banks appear ready to lend Mr Trump only enough new money for immediate needs. It is understood that the fresh funds are needed for two reasons:

● to cover some $35m of interest payments falling due this Friday on three junk bond issues used to finance the Taj Mahal, Castle and Plaza hotel-and-casino projects in Atlantic City;

● to give Mr Trump some breathing space in order to sort out his affairs and dispose of some assets in an orderly fashion, rather than in a forced liquidation.

It is believed that the debt rescheduling accord, if approved by all of the bank creditors, would call for Mr Trump to engage in a limited surrender of equity for temporary debt forgiveness. This could take the form of pledging additional real estate as collateral or actually offering the banks a minority equity stake in part or all of his empire.

The recently opened Taj Mahal, a huge and garish

Continued on Page 20

Thai coalition threatened after resignation of defence minister

By Roger Matthews in Bangkok

THE FUTURE of Thailand's six-party coalition Government was in jeopardy yesterday following the resignation of General Chavalit Yongchaiyudh, the deputy Prime Minister and Minister of Defence.

The general's departure was dramatised by demonstrations in his support by thousands of military officers in Bangkok and other parts of the country.

Speculation that the Government could be forced to resign, or that the military might intervene more directly, provoked a wave of selling on the Securities Exchange of Thailand, pushing the index down by 4 per cent to close at 931.9.

But there was little immediate concern that the political row would have much overall impact on the country's booming economy.

The immediate cause of Gen Chavalit's resignation appeared to be an increasingly public row over allegations of corruption.

Gen Chavalit, who resigned as army commander at the end of March to step straight into the cabinet as its only non-elected member, has made several pointed remarks in recent weeks about Thailand's reputation for corruption. Soon after his appointment, he was named as head of a commission of inquiry investigating corruption.

Mr Chalerm Yubamrung, a former police captain and a minister in the Prime Minister's Office, countered by referring to Gen Chavalit's wife as a "walking jewellery box".

From there, the level of debate deteriorated to the point that Gen Arunsorn Krisanserani, the army spokesman, warned earlier yesterday that his fellow officers were running out of patience.

"If there is any further provocation, it will reach the point where honour will take priority over discipline. When that point is reached, we cannot say what will happen," he added ominously. The last two successful coup attempts by disaffected officers were in 1981 and 1985.

Gen Chavalit's resignation letter to Gen Chatichai Choonhavan, the Prime Minister, said merely that "considering the present circumstances, I cannot join you in solving the nation's problems as I had planned to do".

Gen Chatichai later flew south for an audience with King Bhumibol Adulyadej who is holidaying at the resort of Hua Hin. Aides to the Prime Minister said that he hoped to fly as scheduled to the US where he is due to have talks with President George Bush later in the week.

Gen Chatichai has proved a more popular Premier than most Thais had expected and his success has led to a new assertiveness among some politicians, particularly in their dealings with the military, and with the traditionally powerful senior ranks of the civil service.

As this relationship is invariably tied closely to business interests, any shift in the balance of power can bring substantial financial benefits and partially explains why allegations of corruption have been so liberally traded in the past week.

CONTENTS

India, a lone target in US retaliation sights

Ms Carla Hills, the US trade representative, must decide by July 16 whether India's trade laws are 'unreasonable' and 'a burden to the US.' If she says they are, India stands to lose far more than its dignity

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MARKETS

STERLING
New York close
$1.6875
London:
$1.6860 (1.6845)
DM2.8525 (2.8575)
FFr9.5975 (9.6275)
SFr2.4275 (2.4480)
Y260.00 (258.50)
£ Index 89.5 (same)

GOLD
New York Comex Aug
$359.7 (359.2)
London:
$355.00 (354.75)

N SEA OIL (Argus)
Brent 15-day
$15.525 (15.575)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.6935 (1.6960)
FFr5.6980 (5.7155)
SFr1.4412 (1.4495)
Y154.655 (153.475)
London:
DM1.6915 (1.6970)
FFr5.6925 (5.7150)
SFr1.4400 (1.4480)
Y154.45 (153.45)
$ Index 67.9 (same)
Tokyo close: Y154.10

US closing rates
Fed Funds 8¼% (8¼)
3-mo Treasury Bills: yield: 7.976% (7.95)
Long Bond: 103⅛ (103⅜)
yield: 8.446% (8.44)

STOCK INDICES
FT-SE 100:
2,348.8 (−17.8)
FT Ordinary:
1,877.9 (−14.8)
FT-A All-Share:
1,158.15 (−0.7%)
New York close
DJ Ind. Av.
2,892.60 (+27.22)
S&P Comp
361.39 (+2.62)
Tokyo: Nikkei
32,540.18 (−453.11)

LONDON MONEY
3-month Interbank:
closing 15% (15⅛)
Life long gilt future:
Sep 83⅞ (83⅞)

Olive branch to Bucharest strikers

By Owen Bennett-Jones in Bucharest

THE Romanian Government yesterday made a significant concession to hunger strikers in University Square by agreeing to consider opening an independent television station.

The offer followed talks between the Government and representatives of the 19 hunger strikers in the square.

However, the offer failed to placate many of the demonstrators who have been occupying the square for over seven weeks. After the talks, 1,000 of them staged a protest on the steps of the Government's headquarters.

The Government deployed 150 armed police to protect the building and later drafted in 500 troops as reinforcements. The security forces then moved the protesters, some of them allegedly with violence, to about 300 yards away from the headquarters.

Splits are emerging between the hunger strikers, one of whom has not eaten for over 30 days, and the demonstrators. The hunger strikers have now limited their demands to the establishment of an independent television station. But the demonstrators have nine more demands, including the resignation of Interior Minister Gen Mihai Chitac.

'Victory for Stalinists' is bad news for Bulgarian reformers

By Judy Dempsey in Sofia

BULGARIA'S ruling Socialist (communist) Party looks set to form the next government, after unconfirmed results which give the party nearly 50 per cent of the votes and the coalition opposition of the Union of Democratic Forces around 35 per cent.

However, it remains unclear how many run-off elections will be necessary next Sunday for constituencies, out of a total of of 200, where candidates did not receive 50 per cent of the vote required to be elected.

Whatever the outcome of the second round, the real winners of this election are the hardline conservative communist party cells in the countryside. Their victory is a setback for the communist reformers.

The Agrarian Party (BZNS), one of the largest of the inter-war parties which had been co-opted by the communists after 1947, had hoped to capture the million-strong peasant vote, or about 15 per cent of the total. This would have put them in a strong position to be invited to form a coalition with the UDF.

But the rural communists, who had ruled the villages like feudal fiefdoms over the past four decades, fought hard to rule out this possibility by applying considerable psychological intimidation on the peasantry, which swung its vote over to the BSP.

As a result, a coalition between the UDF, the BZNS, which won just 8 per cent of the vote, and even with the BSP liberals, will now be difficult to form.

More significantly, "the victory for the neo-Stalinists", as one BZNS official described the result, will weaken the hand of the liberal/reform wing of the BSP, the leading figures of which include Mr Andrei Lukanov, the Prime Minister.

Indeed, some BSP officials yesterday admitted that the party had done too well for its own good.

"The UDF will now argue whether or not they will join us in a coalition," said one prominent BSP member.

"The conservatives will rule out a coalition with the opposition. They will not see the need for any coalition because they have won enough votes to exercise power alone," he added.

Before the election, Mr Lukanov had repeatedly invited the UDF to form a coalition, regardless of the election results, because the Government needed a national consensus to deal with the economic crisis.

That will entail making unpopular decisions which will be judged by the electorate when the country goes to the polls in 18 months.

The 16-party UDF, deeply disappointed at the results, is divided over forming a coalition with the BSP on the grounds that since it was the communists who created the economic crisis, they alone should take responsibility for it and face the possibility of total collapse.

But unlike neighbouring Romania, Bulgaria, which owes its western creditors over $10.3bn (£6.1bn) is dependent on western aid, which in itself is contingent on the introduction of economic reforms.

These considerations will be the subject of much bitter argument and disagreement over the next few weeks as the Bulgarian political parties ponder the country's uncertain future.

Supporters of the UDF demonstrate outside the national assembly in Sofia in protest against the election results

Conflicting Czech voices threaten to slow drive for swift economic change

CIVIC Forum's election victory in Czechoslovakia should mean a concomitant victory for the liberal economic policies of Mr Vaclav Klaus, the Finance Minister, John Lloyd writes from Prague. Clever, arrogant and hard-working, he will put his plans for radical and rapid privatisation of the economy to the last meeting of the retiring Government on Thursday. The first price rises will take effect next month.

His call for speed, speed and more speed seems to have won the day.

Over the past six months, an ever sharper and more personal dispute between him and Dr Valtr Komarek, formerly the first deputy Prime Minister in charge of economic reform, over the pace and direction of change – a vital, but largely closed-door debate – has stymied real progress. Dr Komarek was downgraded and shifted aside, and will have to struggle for position in the next government.

But he is not giving up, and the basis of a formidable opposition to Mr Klaus has gathered around him, something which may forge a fundamental, left-right division in Czechoslovak politics.

At the same hour, last Friday, that Mr Klaus and Dr Dusan Triska, head of the Privatisation Office in the Ministry of Finance, were announcing their privatisation plans, Dr Komarek scheduled his own press conference. Never mentioning his rival by name, he talked of "exaggerated radicalism," compared the Klaus philosophy with that of the shock treatment of Dr Leszek Balcerowicz, the Polish Finance Minister, and forecast "economic ruin," with "perhaps one million unemployed."

His way, he said, was to hold prices stable while the monopolistic structure of the country's industry was decentralised and forced to become competitive.

He is not alone. Professor Milan Zeleny, a Czech-American who heads the Christian Democratic Union's economic council, said in an interview at the weekend that "to go at speed in the wrong direction is worse than to go slowly."

He agrees with Dr Komarek that removal of monopolies comes first, and has over the past two months preached the virtues of employee ownership of companies, reaching back to the industrial democracy pioneered by the Czech footwear maker Bata in the 1930s to give his ideas the seal of native origin.

The Christian Democrats fared badly at the polls. They remain, though, first choice as a coalition partner with Civic Forum, and their ideas and pressure will count. Further, the Civic Forum and Public against Violence deputies are a mixed group. Many know little of economics (less still about market economics) but will soon learn to respond to constituents' fears.

The trade unions, preoccupied for the first months of this year with reconstructing their organisation, are starting to demand influence. Mr Igor Pleskot, their leader, is no leftist, but his members are used to stable prices and security.

There is thus in embryo a powerful coalition: Civic Forum deputies, some a little leftist in their views, more simply worried by the unknown; the economists, especially strong within the Czech national government, who lay the stress on the social rather than on the market; and the Christian Democrat and other parties, whose instincts are corporatist, syndicalist or a mixture.

Brussels to produce plans to free mobile communications soon

By Hugo Dixon

PROPOSALS for freeing satellite and mobile communications are to be produced by the European Commission this year as the next phase of its plan to deregulate the EC's Ecu80bn (£57.6bn)-a-year telecommunications markets.

Satellite and mobile communications were left out of the Commission's original 1987 green paper on telecommunications, which has resulted in three important directives, because it was felt they needed special treatment.

Both technologies could provide attractive ways of breaking the monopolies enjoyed by most of Europe's public telecommunications operators, allowing private companies to by-pass their traditional fixed networks.

They could also support advanced telecommunications services which the Commission believes would enhance European business' competitiveness.

A satellite green paper is now in the final stages of drafting, with officials hoping to agree on the policy by the end of July and to receive the Commission's formal endorsement by early autumn. Work has just started on a mobile telephones green paper, not expected to be ready until early next year.

In the past month, the Commission's information technology branch has been trying to agree a common position on satellites with its competition branch. It is understood the competition branch is keen to see a more free-market approach than so far adopted by the information technology branch.

A preliminary draft of the satellite paper says Europe lags behind North America in implementing, exploiting and commercialising satellite systems.

"It is hard to avoid concluding this is a direct consequence of the restrictive regulatory environment that has, until now, been applied to satellite communications in Europe," the paper says.

It stops short of advocating a totally "open skies" policy such as adopted in the US. A middle road is taken, attempting to promote the use of satellite communications for private networks while protecting the public networks' monopolies over the basic phone service.

The paper says curbs on use of satellite dishes should be scrapped, provided they are not part of networks connected to the public one. Private satellites should be able to compete with Eutelsat, the Paris-based satellite club, for carrying all telecommunications services apart from basic phone services.

The mobile communications paper will examine if member states should have to introduce competition in cellular telephony, as in the UK, West Germany and France. It will try to produce an EC-wide policy on new services.

By-election boost for Le Pen

By Ian Davidson in Paris

THE agitation of France's traditional conservative parties at the apparently irresistible pressure of Mr Jean-Marie Le Pen and his National Front on the extreme right wing has been whipped up further over the weekend by a spectacular National Front breakthrough in a local by-election.

In itself the by-election, at Villeurbanne near Lyon, for a cantonal seat in the department of the Rhone, is a largely local affair. But it has attracted national attention because of the insistent presence of Mr Le Pen as a factor on the political scene, and the increasingly frenzied arguments within the respectable political parties in their search for an effective answer to his propaganda.

In Sunday's first round of voting in Villeurbanne, Ms Nathalie Gautier, the Socialist candidate, came first with nearly 37 per cent. But the Gaullist candidate, supported by the centre-right UDF, was forced into third place with only 17 per cent, behind Mr Pierre Vial of the National Front, who scored over 27 per cent.

Apart from the influence of local factors, the significance of these figures may be distorted by the abstention rate, which was over 74 per cent. Nevertheless, support for the National Front may well have been increased as a result of the decision by the local Socialist mayor to ban Mr Le Pen from holding a meeting in the town.

Villagers die in Kurdish attack

By Jim Bodgener in Izmir

KURDISH separatist guerrillas killed 26 people, mostly women and children, when they set ablaze a remote village close to the Syrian border in south-east Turkey early yesterday.

The dead included four village guards who reportedly killed six guerrillas from the Marxist Kurdish Workers Party (PKK) in January.

Obtaining accurate details of the incident has been hindered by the government's strict reporting curbs and intensified security measures.

The restrictions came after Kurdish resentment against alleged repression by the Turkish police came to the surface. Foreign journalists visiting the region have been harassed by government agents.

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Premier faces ignominy of rewriting economic strategy

Soviet opposition unites in rejecting Ryzhkov plan

By Quentin Peel in Moscow

MR Nikolai Ryzhkov, the Soviet Prime Minister, faces the probable ignominy today of being ordered to rewrite his plan for a controlled transition to a market economy in the Soviet Union.

The Supreme Soviet, the nation's standing parliament, is due to vote on the economic package today, and opposition to it has united both conservatives and reformers.

Although the parliament may stop short of outright rejection, as favoured by radical deputies from Moscow and Leningrad, any demand for a substantial reworking of the measures is likely to raise pressure for the Prime Minister to resign.

His plan involves a series of large price rises, including a tripling in the price of bread from July 1 and doubling in meat and other prices next January 1. In exchange, the Government is offering to increase wages and allowances to compensate for all price rises except those on luxuries.

The plan has been roundly criticised by many of the country's leading economists for failing to spell out concrete measures to reform or break up the key institutions of the centrally-planned economy before the introduction of price reforms.

The whole future of the plan, and of the Soviet Government headed by Mr Ryzhkov, has come into question, with reformers demanding a new administration and a more radical reform package.

Apart from the political opposition in parliament, the plan has been rejected in one way or another by the new republican parliaments in the Russian Federation, Ukraine and Belorussia, as well as the city councils of Moscow and Leningrad.

That suggests the Government would be unable to implement it.

The questions remaining, should Mr Ryzhkov go, are how and when, and what effect would such a move would have on President Mikhail Gorbachev.

The Soviet leader has sought to distance himself from the plan without openly disowning it, leaving ordinary Soviets in considerable confusion about what strategy he favours.

Mr Ryzhkov is also one of the few popular members of the administration, although his record of economic reform is poor.

"We must have a scapegoat for the past five years of failed reforms," one leading economist said yesterday.

"The trouble is that Mr Ryzhkov is the obvious, but not the ideal, scapegoat."

Long after the earthquake, Leninakan lies in ruins

Philip Stephens on the failure to rebuild a city

THE sprawl of gutted buildings with their blown-out windows and ugly, jagged concrete edges, and the neat vegetable patches alongside the rusting corrugated shacks tell the story. Some 18 months after the earthquake which devastated Armenia, much of the crushed city of Leninakan remains in ruins.

The rusting scaffolding propping up the cracked statue of Lenin is a sad, if eloquent, testimony to the failure of a massive Soviet and international aid effort to rebuild the city.

Its people – battered by the deaths in the earthquake of some 16,000 of their relatives, friends and neighbours – seem resigned to living indefinitely in the shanty towns of metal and wooden shacks thrown up in the aftermath of the tragedy.

Just a few hours spent in Leninakan last weekend was enough to catch the pervading sense that reconstruction work has virtually ground to a halt.

Some have painted the shacks, built from wood as well as corrugated iron, in bright colours, while others have fenced off makeshift porches. The realists have reinforced the sense of permanency by marking off scraps of adjoining land as small gardens or vegetable patches.

Just a few hours spent in Leninakan last weekend as Mrs Margaret Thatcher, the British Prime Minister, ended her three-day tour was enough to catch the pervading sense that reconstruction work has virtually ground to a halt.

On the road from the airport, about one in 10 of the concrete apartment blocks, where most of the earthquake victims once lived, look as if they are once again habitable.

Our local guide said the shock had destroyed more than two-thirds of the 1,000 or so substantial buildings in the centre of the city. Very few have been rebuilt.

Acute shortages of basic building materials, compounded by periodic blockades of traditional supply routes into Armenia by the neighbouring republic of Azerbaijan, offer little prospect of early relief.

There are notable exceptions. The £5m British school opened by Mrs Thatcher on Sunday in the centre of the town would provoke envy among most British parents. It is well designed, lavishly equipped and earthquake-proof. Other European countries are also helping; the French are rebuilding hospitals and the Swiss have established a network of clinics and dispensaries.

The guide, however, reflected on what expatriate workers said was the most common complaint in the city – that after the initial flurry of activity Moscow had "given up".

That, alongside the ethnic conflict in the Armenian enclave of Karabakh in Azerbaijan – which led the Soviet authorities to take direct control – has fuelled support for Armenian nationalism.

AMONG the huge banners thanking Mrs Thatcher for the school were several denouncing President Mikhail Gorbachev as a tyrant and demanding self-rule for both Armenia and Karabakh.

A local official, who made no secret of his support for the nationalists, said Leninakan had so far been spared the armed clashes with the Soviet authorities seen in the capital of Yerevan. However, that had more to do with the struggle to rebuild their lives than with any respect for Mr Gorbachev.

Spain may be Hermes shuttle site

By Peter Marsh

TOURISTS in Spain's holiday hot spots, accustomed to seeing stars as a result of alcoholic over-indulgence, may soon be getting used to another set of celestial sights in the shape of regular landings by western Europe's first manned space craft.

Winging in from outer space to land within viewing distance of the beaches on Spain's southern coast would be the Hermes space shuttle, being built under a $5bn programme organised by the 13-nation European Space Agency.

Hermes, with a crew of three, is due to lift off from 1998 from the agency's launch centre in Kourou, French Guiana. The vehicle, the main job of which will be docking with ESA's planned Columbus space station, needs a landing site in Europe to be close to its maintenance centre in Toulouse.

Corporate tax package agreed by ministers

By Lucy Kellaway in Luxembourg

EUROPEAN Finance Minsters yesterday removed three important obstacles to the single market, by agreeing a package of corporate taxation directives that have been blocked for 21 years.

The breakthrough agreement will be welcomed by European business, which have for years put agreement on these stubborn measures at the top of their 1992 shopping list.

The agreement is symbolic as it is the first real sign countries are prepared to co-operate on tax matters – an area in which almost no progress has been made until now.

The three directives are designed to smooth out all the tax problems that companies meet when they do business in more than one member state. The first directive will mean that subsidiaries making dividends payments to parent companies cross border will no longer be forced to deduct withholding tax.

Germany which had persistently blocked this measure was yesterday persuaded to agree to a compromise that will allow it until the middle of 1996 to comply fully. When the directive comes into force in 1992 it will have to cut its 10 per cent withholding tax to 5 per cent, abolishing it altogether four years later. Germany argued the delay was necessary to reform its corporate tax system.

The second directive will mean that companies making cross border acquisitions will be able to do so without immediately attracting capital gains tax in the country of the target. Any tax could be deferred so long as the company went on being a tax paying entity in its home member state. A third measure will set up a body to arbitrate in all transfer pricing disputes for companies operating in more than one country.

Finns finding the courage to discuss Soviet FMCA treaty

By Enrique Tessieri in Helsinki

AFTER decades of cold war an increasing number of Finns are finding the courage – and an historical opportunity – to discuss openly Finland's hitherto sacrosanct 42-year-old treaty of Friendship, Co-operation and Mutual Assistance (FCMA) with the Soviet Union.

Such Finns won more encouragement last October when President Mikhail Gorbachev openly and unequivocally recognised Finland's neutrality during his official visit to Helsinki.

Mr Gorbachev also stated that he had no objections to Finland joining the European Community.

Even if the treaty has been debated in Finland during the last months more than for the past 40 years, the FCMA is still such a hypersensitive issue to the Finnish Government that foreign journalists are directly asked not to write on the topic.

Last January, however, Dr Risto Penttilä, a Finnish researcher on international affairs, did something hitherto unheard of in Finland when made the suggestion that the Finnish-Soviet treaty be scrapped and replaced by a new one which would stipulate that Finland would defend itself from all outside aggression. The present FCMA, which leaves a lot of room for free interpretation, only recognises the military aggressor – Germany – from the west without making any mention of an armed attack from the east.

As opposed to similar treaties between the Soviet Union and eastern Europe, the FCMA does not imply a military alliance during peacetime nor does it mean that both countries would automatically come to each other's military aid should Finland be attacked by Germany or one of its allies. "However, if a crisis situation occurs, the Soviet Union has the means through the FCMA to interfere into Finland's security obligations. Since the treaty is vague and open to interpretations, it is impossible to foresee how the Soviets would want Finland to react," said Dr Penttilä.

Mr Kalevi Sorsa, the veteran Social Democrat Speaker of the Finnish parliament, last March became the first high-ranking politician to suggest any willingness to change the FCMA.

Mr Sorsa, who felt that the contents within the FCMA should be changed to reflect the political events overtaking Europe, considered the German clause of the treaty to be archaic. Analysts feel that if Finland is seeking closer integration with Europe and a reunified Germany, mentioning Germany as a potential enemy in the FCMA is awkward.

Dr Penttilä and Dr Esko Antola, of the Turku-based Institute for European Studies, agree that the FCMA has hindered Finland's political integration with western Europe.

Finland was one of the last western European countries in 1989 to join the Council of Europe. Helsinki did not join the Council in the past since it considered it too vocal on human rights violations in the east bloc.

After becoming an associate member of EFTA in 1961, it was only in 1985 that Finland became a full member of the economic organisation.

Even if Finnish researchers are divided on what to do with the FCMA – to officially scrap or ignore it – the Baltic republics can expect little official support from Finland. As opposed to Sweden, Finland's scope of action in the Baltic States is limited by the FCMA and five-year Finnish-Soviet trade accords.

Lafontaine to lead SPD into general election

By David Goodhart in Bonn

MR Hans-Jochen Vogel, chairman of the West German Social Democrats, yesterday ended two weeks of uncertainty by announcing that Mr Oskar Lafontaine would still lead the party into the next general election.

Although the confusion inside the party over how best to respond to the politics of German unity, as laid down by Chancellor Helmut Kohl, has not been completely resolved, a consensus has been established on two points.

The state treaty accompanying economic union cannot be voted down. However, the party should dissociate itself as far as possible from the treaty and its consequences.

Mr Lafontaine, still convalescing from a knife attack at the end of April, elbowed his way back into politics at the end of last month with a sharp attack on economic union, planned for July 2, which he believes in its current form will lead to an unnecessary economic crash in East Germany.

Implicitly critical of the acquiescence of his SPD colleagues in Mr Kohl's fast road to unity, he called for various improvements to the state treaty, in particular short-term protection for East German industry, and also recommended that as a symbolic gesture the SPD should vote against it in the Bundestag.

Mr Vogel claimed yesterday that improvements had been made as a result of SPD pressure, such as import controls or tougher environmental regulations for East Germany. However, the Government says these additions to the treaty would have been introduced regardless of SPD pressure.

Mr Lafontaine now appears to accept that the SPD will have to endorse the treaty, although many SPD representatives may abstain. The row seems to have damaged the party slightly in the short term but Lafontaine supporters claim that he has, through his intervention, given the party the required distance from Mr Kohl's relatively unpopular, and high-risk, fast road to unity strategy.

BIS ANNUAL REPORT

Financial Times writers examine the Bank for International Settlements' annual report, published yesterday in Basle

● FINANCIAL MARKETS

Concern over growing fragility

By Stephen Fidler, Euromarkets Correspondent, in Basle

THE Bank for International Settlements, the main international forum for central banks, has expressed growing concern about the fragility of financial markets.

In its annual report, published yesterday, the BIS says: "We expect the difficulties experienced in the financial sector to become more widespread or more acute, they could have potentially serious consequences for economic performance not only in industrial but also in developing countries."

Worries about financial markets fall into two categories, it says. There is unease that the rapid pace of change in financial markets may hold risks that have not yet surfaced. In addition, events – such as the US thrift crisis, and bank losses in lending for property and leveraged transactions – are causing concern, against a background of an unresolved third world debt crisis.

Both suggest an increasing vulnerability in the financial sector to a slowdown in economic activity and a rise in worldwide interest rates, while events in eastern Europe raise the prospect of increasing demands on world savings.

The fragility of the financial system increases the chances that central banks will come under pressure to compromise their battle against inflation to pursue greater short-term stability in the financial system. This course of action "would only store up greater pain for the future", the BIS says.

It also reinforces the challenge to enhance the ability of the financial sector to withstand shocks and reduce the likelihood of their occurring. To this end, much has been achieved in the improvement of international supervision and regulation of financial and banking markets.

Among other things, the Bank examines property lending in the UK, concluding that the "potential for difficulties does exist." But the parallels with the crisis caused by unwise real estate lending in the UK in the 1970s should not be overdrawn, it says.

The bank points to "signs of stress" in lending in support of highly-leveraged transactions (HLT) in the US – takeovers and corporate buy-outs involving the creation of large amounts of debt. Some banks are heavily exposed; two US banks have exposure in excess of 250 per cent of shareholders' equity. The HLT loans of 10 US banks exceed shareholder funds.

It also raises the question of legal uncertainties about such loans, and the practice of selling them on to other banks.

● CENTRAL BANKS

'Independence provides vital credibility'

By Peter Norman, Economics Correspondent

THERE IS more widespread agreement in industrialised countries that monetary policy should aim primarily at achieving price stability and that this is most likely to be attained when a central bank is relatively independent, the BIS said.

The bank noted that the trend in favour of having central banks independent of the treasuries and other public institutions has become particularly evident in the discussions over progress towards economic and monetary union in the European Community and in eastern Europe.

In the EC, the BIS said, there is a "broad consensus" that the European System of Central Banks, as envisaged by the Delors Committee report, should have a high degree of independence from other national and EC bodies and a mandate to pursue price stability. "Central bank independence has also been recognised as a necessary condition for effective macroeconomic policy in the former centrally planned economies of eastern Europe."

The bank's annual report said that one of the main arguments for independent central banks was that they are likely to be better able to establish the credibility needed to conduct monetary policy effectively. In practice, inflation performance seemed to have been better in countries with relatively independent central banks such as the West German Bundesbank.

The BIS observed that monetary policy had proven to be the most flexible and "probably the most powerful" policy instrument at the disposal of the authorities for fighting inflation and controlling exchange rate developments.

The BIS said it was of "paramount importance that the pursuit of domestic price stability should unequivocally stand as the first priority of monetary policy".

Attempts to combat inflation may appear costly, it warned. But it added that the cost of allowing inflation to rise further or to become entrenched at present levels would ultimately be greater.

● EAST EUROPE

Call for rapid transition

By Stephen Fidler

THE transition of the countries of east Europe to market economies should pursued as rapidly and comprehensively as possible because of the risks entailed by gradual reform, the Bank for International Settlements says.

Experience suggests that partial reform will meet only partial success. "A step-by-step approach tends to disregard the close interaction between price liberalisation, decentralisation of decision-making, financial discipline and indirect economic management," according to its annual report. These reforms reinforce one another and thus form part of a single programme.

Large macro-economic imbalances will also mean that even limited steps towards liberalisation will produce big adjustment problems, triggering opposition which could jeopardise the whole reform process.

"Rather than trying to mitigate unavoidable friction during the transition by suppressing or tempering market signals and thereby slowing down the pace of reform, adjustment shocks should be alleviated by social policies which are compatible with the institution of a market economy," the report concludes.

● BRADY PLAN

Initiative 'provides too little relief for debtor countries'

By Stephen Fidler

THE BRADY initiative provides too little debt relief to rebuild the creditworthiness of heavily-indebted countries, the Bank for International Settlements says in its annual report.

The BIS suggests also that increased pressure on creditor banks and debtors may be needed to encourage them to reach future debt agreements. "The likelihood that debtor countries and creditor banks will make significant progress without a mediator who is prepared to be more than just a mediator seems, if anything, to have diminished."

The initiative, launched in March last year, aims to reduce the burden of commercial debt on debtor countries with the help of official finance, including funds from the World Bank and International Monetary Fund.

"Rebuilding creditworthiness requires more than the amount of debt and debt service reduction which has been achieved so far under the Brady initiative," says the report.

"This has been the real flaw in its implementation and not the fact that too little new money has been forthcoming from the banks," it adds.

Some Brady plan critics have suggested that one problem with the initiative has been that it has discouraged new lending from banks. But the BIS makes the point that "it is not even clear whether, except for self-liquidating trade finance, the extension of further loans at market terms would be in the interests of problem debtor countries themselves."

The report describes the Brady initiative as useful, but criticises it for generating unrealistic expectations about the amount of debt relief that could be achieved, thereby souring the negotiating environment; for compelling banks to negotiate with debtors they considered undeserving; and for creating incentives for debtors to depress the secondary market price of their debt to gain deeper discounts.

It calls for flexibility in the use of official resources to support the plan, and says it may be necessary for other countries to follow Japan in funding the initiative. Extra funds "should preferably not come from the IMF and World Bank alone."

About \$8bn (£4.8bn) of the total \$30bn-35bn of official funds originally earmarked for supporting the plan has been used in the first four agreements. The transactions will lower commercial bank debt by \$14bn and reduce interest burdens equivalent to a further \$11bn decline in debt.

The debt of highly-indebted middle-income countries declined slightly to \$477bn last year, with commercial bank debt falling by \$21bn to \$345bn.

The bank expresses concern at the plight of the poorest developing countries, which it says are falling further behind the rest of the world.

The debt-distressed countries of sub-Saharan Africa piled on another \$5bn of debt last year, increasing the total to \$114bn.

"More fundamental help for self-help is obviously required," the report says, suggesting some of the "peace dividend" resulting from a warming of relations between east and west should flow towards the poorest countries.

● TRADE TRENDS

Widening imbalances in current accounts

By Peter Norman

THE BANK for International Settlements yesterday blamed exchange rate stability in Europe and divergent domestic demand trends for a considerable widening of current account imbalances within Europe.

In its report, the BIS noted that Europe's aggregate current account position moved from a \$50bn surplus in 1986 to near-balance last year, with \$17.5bn of the deterioration taking place in 1989. But last year's change masked a \$7bn increase in the combined surplus of West Germany, the Netherlands, Belgium and Luxembourg, while the overall deficits of Britain, Spain, Sweden, Italy and Finland widened by a total of \$25bn.

Sizable differentials in domestic demand growth in Europe were the most important factor behind the region's internal current account imbalance, the BIS said, with deficit countries such as Britain, Portugal, Spain and Finland having experienced above-average growth in demand in recent years.

Exchange rate developments were also unhelpful. Real exchange rates did not rise in countries with current account surpluses nor fall in those with deficits. The Deutsche mark has not appreciated despite several years of surplus, while countries such as Italy, Greece and Spain have seen their surpluses from tourism dwindle because of strong effective exchange rates.

Changes in net investment income added to the European imbalances. Last year, West Germany's net receipts from investment income more than doubled to \$11.75bn, adding to its surplus, while in Britain they dropped by \$4.5bn, exacerbating the deficit.

The BIS said the narrowing of the US and Japanese imbalances reflected rapid growth of domestic demand in Japan against lower than average growth in the US and the impact on trade volumes of dollar weakness against the yen in late 1987 and early 1988.

Growth of US non-farm exports was especially strong in the first half of last year, while Japan's export surplus was pared by expanding production of Japanese subsidiaries overseas.

CURRENT ACCOUNT BALANCES (\$bn)

	1987	1988	1989
Industrial countries	−36.4	−45.9	−50.0
US*	−143.7	−126.5	−105.9
Japan	87.0	79.6	57.2
EC	34.7	16.0	2.3
Belgium/Luxembourg	2.8	3.6	3.9
Denmark	−3.0	−1.8	−1.4
France	−4.4	−3.5	−3.7
Germany	46.0	50.4	55.5
Greece	−1.2	−1.0	−2.8
Ireland	0.4	0.7	0.6
Italy	−1.6	−6.3	−10.6
Netherlands	2.9	5.5	6.9
Portugal	0.4	−1.1	−0.6
Spain	−0.2	−3.8	−11.6
UK	−7.4	−26.7	−34.1
Other Europe	0.1	2.9	6.6

*Includes exchange rate-related valuation effects on direct investment

Source: BIS Annual Report

● EXCHANGE RATES

Greater coherence in G7 strategy urged

By Peter Norman

THE BANK for International Settlements has urged the Group of Seven leading industrial countries to reconsider official exchange rate strategies and international policy co-ordination with a view to improving its coherence and effectiveness.

In its annual report, the BIS said that success in stabilising foreign exchange markets in the period since the February 1987 Louvre Accord had only been partial.

The present proximity of nominal exchange rates to their Louvre levels had been the net outcome of fairly big and frequent fluctuations, the BIS said. Moreover, the fluctuations had understated the strength of exchange market pressures because they have frequently been countered by heavy official exchange market intervention.

The BIS acknowledged that exchange rate swings since 1987 had been smaller than in the period of floating exchange rates, while the recent powerful performance of the world economy suggested that exchange rate fluctuations had not impeded strong economic growth.

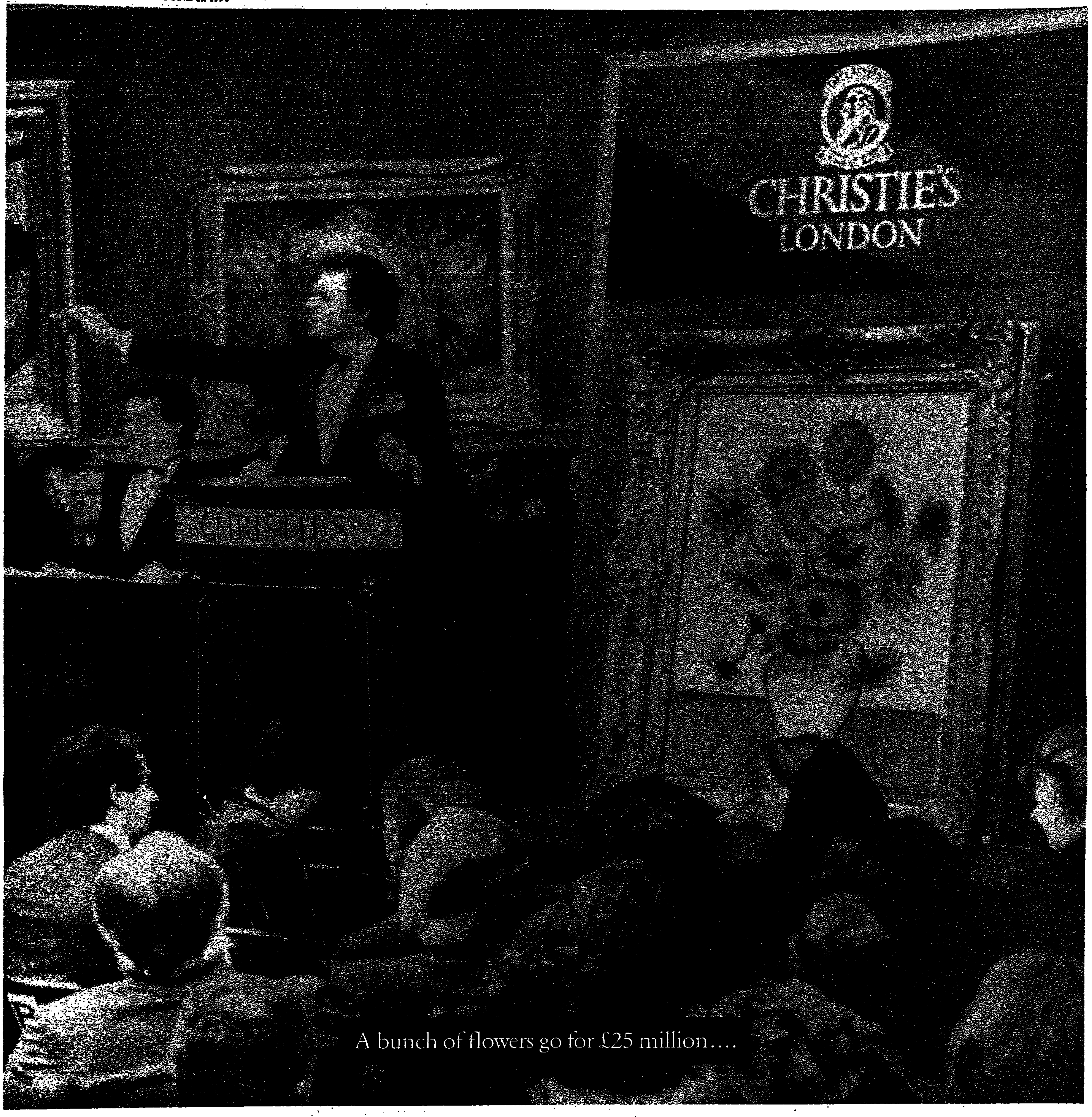
But the bank made clear it was unhappy about at least three aspects of recent exchange rate trends.

● One salient feature of exchange rate movements since the Louvre Accord has been the frequent strength of currencies of countries with high inflation and worsening current accounts. This strength, prompted by high interest rates in the absence of exchange rate fears, tended to mask the severity of domestic inflation problems and helped worsen current account positions further.

● It also questioned whether the exchange rate structure of February 1987 was appropriate today in view of subsequent developments. For example, Germany's large current account surplus at a time of strong domestic demand "raises the issue of whether a further real appreciation of the Deutsche mark might not be desirable."

● The limited success in stabilising exchange markets also placed a question mark against the utility of large-scale intervention.

The BIS said official exchange market intervention "took on new dimensions" last year. The US authorities repeatedly assumed a leading role, buying large amounts of D-marks and Japanese yen to moderate the dollar's rise, with the result that US exchange reserves rose \$27.2bn to \$44.6bn (£26.5bn). More aggressive strategies were adopted, such as selling in a falling market, intervention in markets abroad and concerted intervention around the clock.



IF YOU THOUGHT YOU'D NEVER SEE THE DAY, WAIT UNTIL YOU SEE THE LATEST VAUXHALL.

AMERICAN NEWS

Bush backs Salinas efforts on economy with trade deal

By Peter Riddell, US Editor, in Washington

THE US and Mexico have agreed to initiate formal negotiations on a comprehensive free trade agreement.

President George Bush and President Carlos Salinas de Gortari committed themselves to that objective in talks in Washington yesterday, although formal negotiations will not start until early next year and may take a further year or two to be completed and ratified. The agreement may lead to a broader North American free trade area including Canada, which has an 18-month-old free trade accord with the US.

US and Mexican trade negotiators will now embark on talks needed to initiate formal negotiations and report back before the two presidents meet in Mexico this December. The procedure of notifying the US Congress is likely to be triggered this autumn.

The agreement will focus on the phased elimination of import tariffs, the elimination or fullest possible reduction of non-tariff trade barriers and binding protection for intellectual property rights. President Salinas said yesterday that oil and electricity would be excluded from the agreement, under Mexico's constitution.

Mr Bush's decision to go ahead reflects strong personal support for President Salinas and his efforts to revive the Mexican economy. This has led to a repatriation of capital and an increase in foreign investment since a debt reduction plan was agreed last summer.

However, senior US trade officials have urged a gradual pace because of a desire to avoid conflict with the current Uruguay Round of multilateral trade talks due to be completed this December.

Both presidents stressed their commitment to a successful conclusion of the Uruguay Round as their "highest priority". Bilateral efforts to expand trade and investment opportunities, they concluded, can and should complement the round.

Prominent congressmen including Mr Dan Rostenkowski, the chairman of the House Ways and Means Committee which oversees trade, as well as the AFL/CIO labour organisation have expressed concern over the possible impact of an agreement on US industries such as textiles and clothing. However, the strong Texan lobby in Washington, led by Mr James Baker, the Secretary of State, Mr Robert Mosbacher, the Commerce Secretary, and Senator Lloyd Bentsen, the chairman of the Senate Finance Committee, backs an agreement.

President Salinas said that Mexico wanted to export goods not labour, arguing that an agreement would mean more investment, more job creation and less migration.

Richard Johns reports from Mexico City: Last year Mexico recorded a deficit of $88m in merchandise trade with the US, according to statistics released yesterday by the Bank of Mexico. It was the first since 1981.

Poindexter sentenced to six months in jail

By Peter Riddell

MR John Poindexter, national security adviser to former President Ronald Reagan, was yesterday sent to prison for six months for lying to Congress and for his involvement in the Iran/Contra cover-up.

Mr Poindexter, the most senior member of the Reagan White House to face trial, is also the only one of seven people convicted in the affair to be sent to prison.

Former Vice-Admiral Poindexter was found guilty on April 7 of two counts of lying to Congress, two counts of obstructing congressional investigators and one of conspiring to cover up the secret sales of arms to Iran and the diversion of profits to Nicaragua's Contra rebels.

Mr Poindexter could have faced up to 25 years in prison and $1.25m in fines. Judge Harold Greene said that the light sentence was because his culpability was not greatly different from that of other defendants and he had not lied under oath during the trial.

The judge noted that under federal sentencing guidelines adopted since the affair had started, Mr Poindexter would have faced a prison term of between 21 and 27 months, but he would not force him to serve such a lengthy sentence while the six other defendants found guilty had received terms of probation.

Judge Greene made implicit, unfavourable references to former Marine Lieutenant Colonel Oliver North's behaviour in court. Like Mr North, the other defendants received small fines and community service.

Judge Greene said the principle he had applied in sentencing was of deterrence; white-collar criminals and public officials of Mr Poindexter's high standing must not feel the law did not apply to them.

The judge said that not to send Mr Poindexter to prison "would be tantamount to a statement that to lie and to obstruct Congress was of no great moment".

The Poindexter case is the last major one to be brought by the independent special prosecutor, though a grand jury has been formed to investigate the role of Mr Reagan and then-Vice President George Bush. Mr North has testified to the grand jury.

'Conciliator' wins in divided Peru

Hope tips presidential poll, write **Robert Graham** and **Sally Bowen**

WITHIN three months, Mr Alberto Fujimori has come from political obscurity to win the Peruvian presidential election by a convincing majority. In so doing this agronomist son of Japanese immigrants has upset every forecast and looks set to rewrite the rules of the Peruvian political game.

Yesterday, even without official results for the presidential election held on Sunday, it became clear that Mr Fujimori had won more than 56 per cent of the vote compared with 36 per cent for Mr Mario Vargas Llosa, the novelist and once clear favourite.

Mr Vargas Llosa led when he launched his campaign in May 1989 until just before the first round of the elections on April 8. At that time most of the Peruvian press paid little attention to Mr Fujimori, expecting the ultimate presidential contest to be between Mr Vargas Llosa and Mr Luis Alva Castro, secretary-general of the ruling Apra party.

Mr Fujimori, aged 51, became popular for the same reasons as Mr Vargas Llosa when he first entered politics. As former rector of Lima's Agrarian University, he was untainted by membership of any political party. His public platform was infinitely modest compared with that of his international novelist rival. Nevertheless, he had previously hosted a discussion programme on the state-controlled national television channel.

What is significant is that the programme was called Getting Together. This gave him a reputation as a conciliator and since then the proposal for a national pact has become a central component of the Cambio (Change) 90 movement which he founded last year. His message has been consistently simple and vague – and irreproachable.

The principal slogan of Cambio 90 is "Hard Work, Honesty and Technology". This reflects both his Japanese background and his identification with the puritan Christian ethic. Every politician underestimated how much this found echo among the majority of the 22m population who are marginalised, either by living in remote rural areas or eking out a miserable existence in the cities.

The principal issue in the first round of the presidential elections with nine candidates and again in the run-off on Sunday was the disastrous state of the economy.

SHOUTS of "banzai!" echoed through the town of Kawachi-machi, a farming community of 16,000 people in southern Japan which now prides itself as the home town of Mr Alberto Fujimori's parents, writes Michiyo Nakamoto in Tokyo. As news of Mr Fujimori's victory in Peru's presidential election spread, nearly 200 people gathered at the local agricultural co-operative building to join relatives of Mr Fujimori who still live in the town.

"[The news] blew away our anxiety about what would happen after the liberalisation of orange imports," said the mayor of the town, which is set in tangerine-growing country on the island of Kyushu. "But now we have a great opportunity to promote this town as the place that gave rise to a president.". Kawachi-machi is preparing to nominate Mr Fujimori, who last visted the town two decades ago, as its first honorary citizen.

In Tokyo reaction was positive but restrained. Mr Nobuo Ishihara, the Deputy Chief Cabinet Secretary, said Japan would not give special consideration to increasing aid to Peru simply because its president was of Japanese descent.

Alberto Fujimori is besieged by the press in Lima

Mr Vargas Llosa set the agenda by calling for a radical "shock" stabilisation programme as drastic as that being carried out by President Fernando Collor de Mello in Brazil. This, he made plain, was the sole means to bring down Peru's 2,200 per cent annual inflation, restore international credibility for foreign creditors to whom $20bn is owed and to recover growth.

Mr Vargas Llosa alienated voters by failing to suggest that the poorest sections of society would be shielded. When he tried to rectify this in the second round it was too late. Mr Fujimori, with at least some backing from President Alan Garcia's government, talked of economic stabilisation without shock.

He has been vague – some believe deliberately so – on the nature of his prescriptions to curb inflation. But the options are so limited that in the end his policies are likely to differ from those of Mr Vargas Llosa only in style and timing rather than substance.

Mr Fujimori turned to good advantage his lack of resources. The costly Vargas Llosa campaign came across as inappropriate, even distasteful, in a country with so much poverty. In contrast Mr Fujimori campaigned simply; his meetings were improvised in small Andean towns and he achieved his popularity virtually by word-of-mouth.

Having made good as a first generation Peruvian from an immigrant minority, disdained by the traditional Hispanic élite, Mr Fujimori became a symbol of hope. The vote appeared to be closely equivalent to the division within Peru between the élite and middle class on the one hand and the Indian-mixed race majority on the other.

The latter have never had a clear champion. In addition to obtaining most of those votes given to the ruling Apra and other left parties in the first round, Mr Fujimori found support among those previously disenchanted. The number of blank and spoiled votes halved to 7 per cent.

This suggests that he has weaned away some of those who were sympathetic to the revolutionary alternative promised by Sendero Luminoso (Shining Path). The threat from this Maoist guerrilla organisation, which operates in large areas of the south and central Andean highlands and sporadically in Lima, will be a big challenge to his government.

The political career of Mr Vargas Llosa is in doubt. He was backed by Accion Popular and Partido Popular Cristiano, discredited by their previous record in power. He won back for them respectable levels of representation in Congress, but he himself has no political base and no function. He cannot easily be leader of the opposition since he has no parliamentary seat.

One epitaph in a Lima paper yesterday commented: "He committed the error of projecting himself as a man who was sacrificing five good years to accept the presidency of a mediocre country, but he also acted as if he were the president before the election."

Supreme Court renews row on flag burning

By Peter Riddell

THE US Supreme Court yesterday reopened the emotive and politically charged issue of flag burning by striking down as unconstitutional a law passed last year which makes desecration of the Stars and Stripes a criminal offence.

The ruling, approved by a five to four margin, was immediately followed by the proposal by a large bipartisan group of congressmen of an amendment to the constitution outlawing flag burning. This move, which will be backed by President George Bush, requires approval by two-thirds of the members of the House and the Senate, and ratification by 38 out of 50 states.

The issue is likely to be turned into a test of patriotism in this autumn's congressional and state elections.

The Supreme Court rejected the arguments of the Bush Administration that the flag represents an important national symbol deserving protection and instead ruled that the law infringed on free-speech rights under the constitution's First Amendment.

Newfoundland signals threat to Meech Lake

By Bernard Simon in Toronto

MR Clyde Wells, the Premier of Newfoundland, has raised a new threat to Canada's Meech Lake constitutional accord by calling a free vote in the provincial legislature on the controversial agreement to bring Quebec into the Canadian constitution.

Mr Wells, an implacable opponent of the accord, said yesterday he favoured a provincial referendum but it could not be carried out before the accord's June 23 deadline. That deadline could have been extended, he said, if the other provinces had agreed. However, some of them refused.

The outcome of the Newfoundland vote, which will probably take place next week, is uncertain. Mr Wells' Liberal Party holds 31 seats in the legislature, compared with 19 Conservatives and two independents. The Conservatives indicated yesterday that they would also allow a free vote.

Members of the legislature have been instructed to seek out the views of their constituents. Mr Wells's anti-Meech Lake stand enjoys wide popular support but some legislators may be swayed by the argument that the fragmentation of Canada which could result from the breakdown of the Meech Lake accord might do severe harm to the economy of Newfoundland, which depends heavily on transfers from the federal government.

Newfoundland and the two other provinces which have yet to ratify Meech Lake agreed in Ottawa last Saturday to use "every possible effort" to make a decision before Meech Lake expires on June 23. Mr Wells signed the Ottawa agreement but with the condition that he would refer it to his cabinet and Liberal Party caucus.

If the provincial legislature fails to ratify the accord by June 23, Canada could be plunged into a full-blown political crisis. The stability of Mr Mulroney's Progressive Conservative government would also be threatened. About a dozen nationalist Quebec MPs are thought to be considering a walkout from the Tory caucus if Meech Lake fails.

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WORLD TRADE NEWS

Calls to dismantle curbs in textile and clothing trade

By William Dullforce in Geneva

THE EC yesterday presented its long-awaited plans for dismantling the current curbs on world trade in textiles and clothing and for bringing the $200bn (£125bn)-a-year business into conformity with the General Agreement on Tariffs and Trade.

Publication of the paper coincided with the tabling of a proposal by the International Textiles and Clothing Bureau (ITCB) urging elimination of all trade restraints in four stages over six years. The ITCB represents 23 developing countries, including China and all the main textiles and clothing exporters.

Both proposals were submitted to the group negotiating on textiles and clothing in Gatt's Uruguay Round. The EC states have dismissed the US plan for replacing the import quotas currently negotiated bilaterally under the 30-year-old Multi-Fibre Arrangement (MFA) with a system of global quotas.

Instead, they advocate eliminating step by step existing MFA restrictions over an unspecified time. Length of the transition would be negotiated in the remaining few months of Gatt's Uruguay Round.

A mechanism which took its point of departure from the existing MFA would be less disruptive for the trade, would guarantee exporting countries their present access to markets and the possibility of increasing their market shares, and would allow special treatment of developing countries or certain types of suppliers, the EC said.

The novelty in the EC proposal centres on three ideas:

- A list of textile and clothing products would be set up for immediate integration into Gatt rules. The EC has in mind primarily silk products;
- An agreed percentage of the volume of remaining curbs would be cut in each stage of the transition. Countries would choose whether to phase out restraints by fibre, product or country;
- Exporters' access to markets would be progressively increased; a guaranteed growth rate would apply in exceptional circumstances.

Under the EC scheme, the possibility for countries to negotiate bilateral agreements, to guard against import surges, would be maintained during the transition programme. But such agreements would be limited to the products and countries currently under curbs, and would expire at the latest on the date agreed for final integration of the trade into Gatt.

Most important, the EC makes the dismantling of the MFA depend on improvements being agreed, during the Uruguay Round, to Gatt rules, especially those governing safeguard measures, subsidies and circumvention of anti-dumping action by exporters.

Under the more comprehensive ITCB proposal, importing countries would eliminate immediately 11 existing types of restriction. The eliminations would cover, eg, specific products such as those made of vegetable fibres and silk or blends containing a given amount of fibre or silk; cottage industry products; restrictions on children's clothing up to a given size; and limits on suppliers which provide less than 1 per cent of imports in a given market.

In a first two-year stage, countries would scrap import curbs on tops and yarns, the exact type of which is described in an annexe to the ITCB proposal. The second stage, also over two years, would cover woven, knitted or chrocheted fabrics.

Stage three, lasting one year, includes "made-ups", while the final one-year stage would result in an end to all curbs on clothing.

The ITCB urges quantitative curbs on products still under control to be raised by at least 6 per cent in the year beginning August 1, 1991, and by increasing annual percentages thereafter, for the remaining five years of the programme.

Flexibility provisions and scope for the use of transitional safeguard measures are allowed in the ITCB plan, but its ultimate effect would be to integrate all trade in textiles and clothing into Gatt by end-1997.

Peru wants Washington to raise import quotas

By Sally Bowen in Lima

PERUVIAN negotiators in Washington are using President Bush's Andean trade initiative as a bargaining counter to press for raising textile quotas.

They have presented a case to Mrs Carla Hills, US Trade Representative, arguing that current restraints are "unusually severe and discriminatory" especially compared with other Andean countries.

US-Peruvian textile trade is subject to a bilateral agreement negotiated under the Multi-Fibre Arrangement (MFA).

The overall Peruvian quota was raised last year, but some categories of garments, principally knitted cotton shirts, are subject to specific sub-limits, over-subscribed for the current year.

The Peruvian garment export industry has boomed in the past two years, due to domestic market recession and 1988 government incentives.

These offered potential garment exporters duty-free machinery imports and attractive tax rebates, in a bid to encourage a switch from traditional Peruvian yarn and cloth exports into areas with a higher value-added component.

Garment exports now account for over a third of total textile exports, with 100 manufacturers vying for a quota share, against 12 a year ago. The textile sector is responsible for a third of all Peru's non-traditional exports.

Lima's Foreign Trade Institute says local industry now produces some 2m dozens of export-quality cotton knit shirts, but the US quota allows for import of only a third of this. About 80 per cent of all garment exports from Peru go to the US.

In November, President Bush promised to "explore possibilities for expanding the textiles trade consistent with current US policies and the MFA".

The Peruvian initiative aims to persuade him a bigger textile quota is vital to his overall Andean strategy of encouraging income from legal exports, instead of coca products. At present, many local textile makers survive only through a debt-for-product deal with the Soviet Union.

India lone target in US retaliation sights

Delhi hopes multilateral pressure will halt bilateral sanctions, writes **Nancy Dunne**

INDIA, with just enough foreign exchange on hand to cover two months of imports, could find itself the lone object of US sanctions under its largest trading partner's so-called Super 301 provision of the 1988 trade law.

The threat of Super 301 has been as wounding to India's dignity as it could be to its balance of payments. Mr Prem Singh, the Commerce Minister in the Indian embassy in Washington, insisted: "We cannot accept the situation. As a sovereign independent country, we cannot be subject to another sovereign independent country's laws. Our regime is in accordance with the General Agreement on Tariffs and Trade (Gatt) and our international obligations, and I don't see why we should be pressurised to change it."

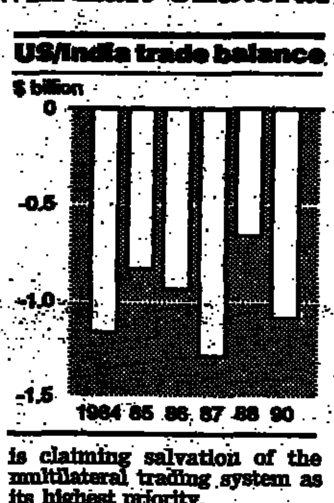
The Indian Government is moving toward a market economy, Mr Singh said, "but we cannot just throw open our market". India moved cautiously in its affairs, he said, it had only carefully taken on loan obligations and had never defaulted on its international debts.

Despite intense US pressure, India – unlike Japan – has held firm to its refusal to negotiate on the Super 301 complaint. Mrs Carla Hills, the US Trade Representative, must, therefore, by law, follow this procedure:

- By June 16 she must determine whether India's investment contraints are unreasonable and a burden to US commerce.
- She must request public comment to identify possible targets for sanctions.
- By July 16, she must announce what retaliation, if any, should be imposed.

This date is close to a key meeting of the multilateral negotiations under Gatt on July 23 under the so-called Uruguay Round, by which deadline it has been agreed they will complete a framework for trade liberalisation measures to finalise an entire package by December. As such, New Delhi has timing, and possibly trade politics, in its favour.

India may be seen by many as "out of step" in the rush to free markets even by many of the developing countries within the Gatt. But it still has enough supporters in the Uruguay Round who would be outraged by unilateral sanctions at a time when the Administration of President George Bush is claiming salvation of the multilateral trading system as its highest priority.



Mrs Hills also has the option of accepting on July 16 that India has made "progress" in meeting US demands. This has been used repeatedly in delaying action against other US trading partners whose co-operation the US wants in the multilateral round.

Mrs Hills may have the justification she requires in the form of Prime Minister V.P. Singh's new liberalised import-export policy and a promise to "further rationalise and simplify the system of industrial licensing."

A speedier, more transparent licensing policy is under consideration. Corporate tax rates and import duties for capital goods have been reduced. And the prime minister has promised to consider raising the level of permitted foreign-held equity above the usual 40 per cent for high technology investments.

Mrs Hills has until December 16 to make a final decision about retaliation. Then Super 301 and the Gatt talks would converge with Mrs Hills holding a package of proposed sanctions as the parties move into the beat of the Uruguay Round finale.

The older generation of Indian economists, educated in Britain by followers of the Fabian school, is passing. Many of its current business leaders have been educated at Harvard and Wharton. They work well with Americans, said Mr Singh, and prefer US investors – although direct investment stands at only $500m.

US-Indian trade nearly doubled from $2.9bn to $5.7bn in the last decade, and the former British colony's growing, English-speaking middle class makes a desirable market and investment partners.

But the Government still insists its priority is to aid its nation's impoverished majority. And it clings to the principle – disputed by US policy – that as a poor, developing country, it is entitled to different "rules of the game" in trade.

India's investment regime continues to be protectionist with import quotas and high tariffs. The 40 per cent limit on foreign equity participation is likely to be maintained for most industries, and there is no sign of a reversal of the ban on investment in certain highly-protected sectors, such as textiles.

Still, the Government has supporters in high places. New Delhi's recent re-approval of a $1bn investment deal by PepsiCo brought with it a plea from the company to the Bush Administration not to take any action under Super 301.

Mr Christopher Sinclair, PepsiCo's international president, asserted that "approval of our project, after careful scrutiny by technical committees appointed by two successive Indian governments, will help create a better climate to resolve the outstanding US-India trade issues".

US-Japan trade harmony under threat

By Robert Thomson in Tokyo

THE HARD-WON trade harmony between Japan and the US is in danger of coming unstuck, as each country begins to raise doubts about the other's commitment to trade promises.

Mr Toshiki Kaifu, the Japanese prime minister, condemned a US demand that Tokyo set specific goals for public works spending, which he says breaches an understanding that Japan promised to increase spending without a specific target.

Meanwhile, Washington is irritated by Japanese arguments that the country should maintain its current account surplus at around 2 per cent of Gross National Product, and also by signs that Tokyo is still unwilling to liberalise the rice market in the current round of multilateral trade negotiations.

The new tension is in contrast with the optimism of April, when trade negotiators reached initial agreement in the Structural Impediments Initiative (SII) negotiations, which were designed to redress Japan's bilateral trade surplus. This surplus has hovered around $50bn (£31bn) in recent years.

Mr Kaifu has emphasised that the public works spending issue was settled in April. Tokyo has since announced plans to increase investment by 50 per cent over the next 10 years, but this has not satisfied US demands that spending be increased from 6.7 per cent of GNP to about 10 per cent over the next three to five years.

Japan is also annoyed by renewed requests by the US for closer monitoring of the country's corporate groups, or *keiretsu*, and for advance notice of planned reforms of the Fair Trade Commission, the anti-monopoly body condemned by Washington for its inability to police corporate Japan.

Japanese officials sense that American negotiators are responding to sentiments in the US Congress that Japan has not made enough concessions in the SII negotiations, and should have been listed under the "Super 301" clause of the 1988 Trade Act – the punitive section of US trade legislation.

Having sensed the more volatile mood in Washington, senior Japanese officials have urged Mr Ryutaro Hashimoto, the country's Finance Minister, to withdraw his statements in favour of stabilising the current account surplus.

The Bank of Japan and Ministry of International Trade and Industry (Miti) have condemned Mr Hashimoto's view that the surplus needs to be maintained to provide a source of funds to meet new capital needs in eastern Europe, and fear that the arguments suggest Japan is content with the present trade imbalance.

US Administration officials – in particular, Mr Clayton Yeutter, the Agriculture Secretary – have been annoyed by a lack of progress in Gatt negotiations on opening Japan's rice market to imports.

Mr Yeutter, who has a troubled relationship with Mr Tomio Yamamoto, Japan's Agriculture Minister, insisted late last week that Tokyo's argument that the ban should remain in place for reasons of "food security" is unacceptable.

Trade negotiators meet again on June 25 for what should be the last round of SII talks and the fashioning of a final agreement on "structural" reforms. The agreement is then due to be presented to the Group of Seven summit in Texas next month.

Boeing jets for Korean Airlines

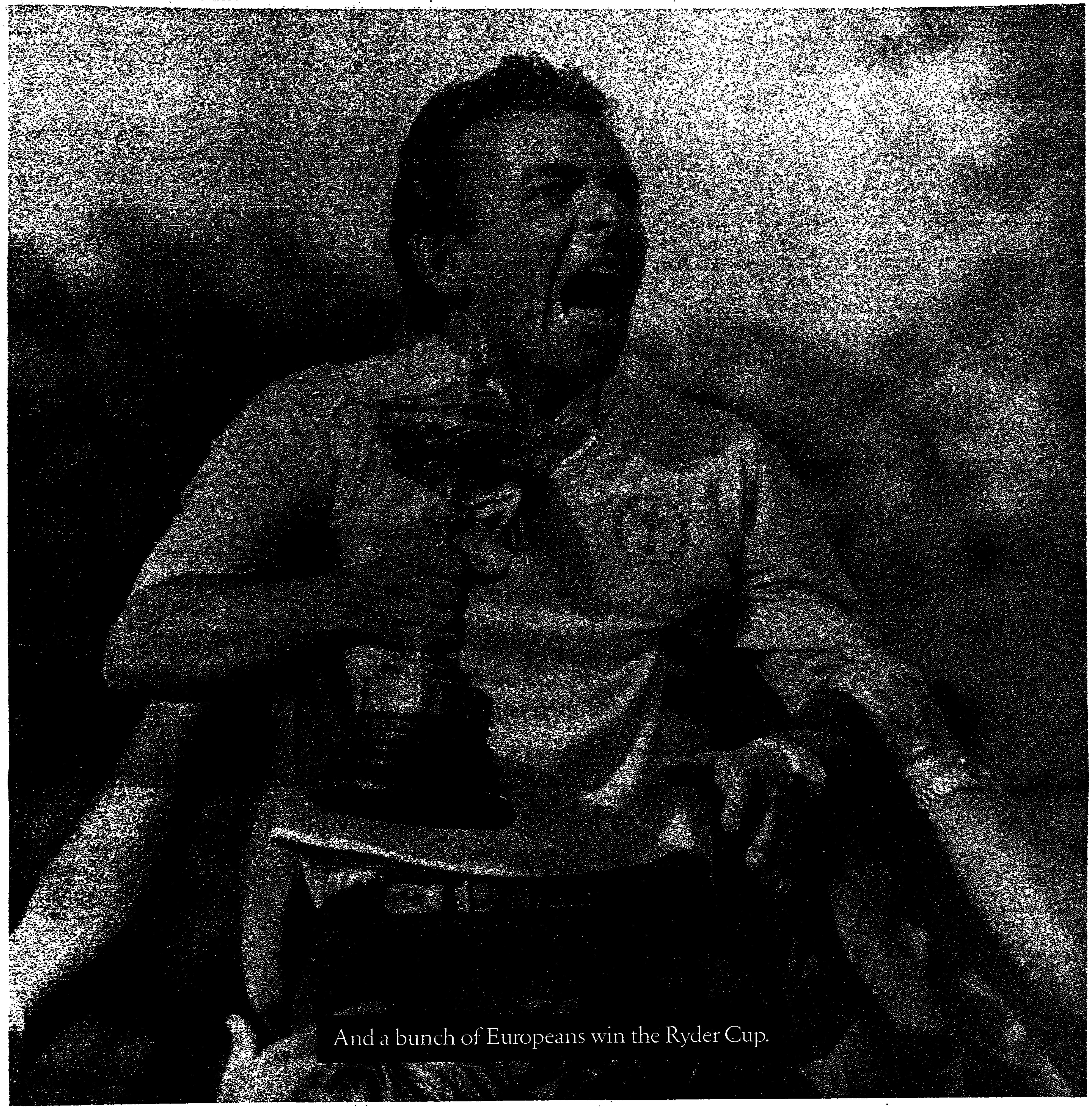
KOREAN Airlines has agreed to buy 25 747-400 Boeing Jumbo jets worth nearly $4bn, the US company said yesterday, Reuter reports from Washington.

The airline had agreed to 12 firm orders and re-confirmed 11 others. A re-confirmation was a firmer commitment to buy than an option, it added.

Baby food plant

Alfa-Laval, the Swedish dairy equipment and process engineering group, intends to build a plant to make baby food near Kiev in the Ukraine, Robert Taylor reports from Stockholm.

The project is the first stage of the company's planned programme in the Soviet Union, which will involve building 11 factories for milk-based food for children up to three years.


And a bunch of Europeans win the Ryder Cup.

Knesset approves hardline coalition led by Shamir

By Hugh Carnegy in Jerusalem

THE Israeli parliament last night approved a new hardline coalition government of right-wing and religious parties led by the Likud Party of Mr Yitzhak Shamir, the incumbent Prime Minister.

After an acrimonious six-hour debate, the Knesset gave a 62-57 vote of confidence for the coalition, with one member of parliament abstaining.

The vote ended a three-month political vacuum that followed the collapse in March of the previous broad coalition government of Likud and the Labour party.

The new coalition, widely dubbed the most right-wing in Israel's history, has already been condemned as dangerously extremist by both internal opponents and the Arab world.

The coalition, which may prove unstable given its make-up and thin Knesset majority, groups Likud with no fewer than five small parties and three independent Knesset members, one lured from Labour.

Two of the parties, Tsomet and Tehiya, are of the far right, supporting annexation of the occupied West Bank and Gaza Strip.

The coalition also relies on the support of Moledet, a two-man faction which advocates the expulsion of Palestinians from the occupied territories.

Presenting the new administration to the Knesset, Mr Shamir denied that it would lead Israel towards confrontation with its Arab neighbours. "We plead with our neighbours to come and negotiate with us," he said.

But he reiterated the positions at the heart of the break-up of the Likud-Labour coalition, denying the Palestine Liberation Organisation any role in proposed peace talks, excluding Jerusalem Arabs from the process and flatly refusing any territorial concession on what he called "our soft belly" – the occupied territories.

He attacked the 18-month old US-PLO dialogue, saying it was the source of recent strained relations between Israel and Washington.

Mr Shimon Peres, the leader of the Labour Party, said there could be no peace process under the new government, which he said would leave Israel with its back turned against the world.

Mr Peres lamented that peace talks between Israel and the Palestinians could have already been under way if they had not been blocked by right-wing Likud ministers now in key positions in the new administration.

Mr David Levy will take over the Foreign Ministry from Mr Moshe Arens, who moves to defence. Mr Levy, champion of the large Jewish community that came to Israel from Arab countries, does not speak English, a handicap given the current strains with Washington.

Mr Ariel Sharon, a former defence minister, was named Housing Minister with overall responsibility for settling the wave of Soviet Jewish immigrants at a time of extreme international sensitivity over the settlement of some of them in the occupied territories.

Mr Yitzhak Moda'i, an ally of Mr Levy and Mr Sharon, was appointed Finance Minister. He held the post in 1985 when Israel successfully tackled hyperinflation.

Private carriers taxi for take off

Indian deregulation has opened the skies, writes Gita Piramal

INDIA'S already unsettled civil aviation industry is facing fresh turbulence, but this time it could mean better days for the harried traveller.

After more than five years of parliamentary debate and cabinet discussion, the Government has opened the skies to the private sector by relaxing restrictions on air taxi, air charter and cargo operations.

Technically, India opened these sectors to private enterprise in April 1989. However, there were so many conditions that few took up the challenge; even those who showed an interest – such as the Hinduja group – later backed out, saying that the scheme was not economically viable.

Subsequent events – such as the Indian Airlines crash on February 14 this year, the sudden drop in passenger seating capacity due to the grounding of all 14 of its A-320 aircraft, and difficulties in leasing aircraft – forced the Government to reconsider its options.

Under acute pressure to increase both passenger and cargo capacity internally, Mr Arif Mohammed Khan, Minister for Civil Aviation, announced on April 11 new guidelines for air taxis. Besides allowing greater flexibility in types of aircraft used and seating capacity, the guidelines removed restrictions on the number of airports from which air taxis could operate, the number of landings they could make and flight timings.

This near total deregulation of Indian civil aviation has prompted several businessmen to submit proposals. Among them is Mr Vijay Mallya, chairman of UB Air, who has started an air taxi service for businessmen. Last month, UB Air inaugurated the service by flying a group of businessmen from Bangalore to Mysore for a stone-laying ceremony.

UB Air will initially use a 15-seat Dornier 228-101. By next month two 18-seater Dorniers will be in operation, and negotiations for a four-engine 100-seater jet is expected to be finalised shortly.

Other companies are already waiting in the wings and 15 have taken the initial step of applying and receiving no-objection certificates from the Civil Aviation Ministry. Among them is Tata Steel, one of the few Indian companies which already own an aircraft.

Vayudoot, which had previously been unable to operate on Indian Airlines routes, has now set up services from Delhi to Bombay and Bangalore and is offering a 10 per cent discount. The airline has leased a Boeing 757 and 727 from Royal Nepal Airlines.

Although the open-skies policy has been unanimously welcomed, some issues still have to be clarified.

The import duty on aircraft is a hefty 18 per cent in the case of private companies, while the government-controlled carriers pay only 3 per cent. And while restrictions on airport servicing by private sector companies now barely exist, details about air traffic control facilities at some centres still have to be worked out.

Red tape is another obstacle. Air taxi operators have to obtain separate clearances from the national airport authority, the director-general of civil aviation and the Ministry of Civil Aviation. "If the Government is really keen on encouraging private air taxis, it should introduce a single window clearance system," Mr Mallya said.

Moreover, there are many who have burnt their fingers – and pockets – in the past. They are now wary of the new policy.

Mr Madhupati Singhania, a member of the JK group which ran Safari Airways until it folded in the early 1970s, said: "We may restart the airline. We have to study the new policy, especially with reference to maintenance and ground support facilities."

Once the various air taxis begin operating they will undoubtedly serve the dual purpose of forcing Indian Airlines to improve their product and provide much-needed extra passenger capacity. Already the carrier is seeking to buy three A-300s from Air India, its sister company.

It is clear that the air taxis are not going to be cheap.

Early estimates indicate that hourly costs could be about Rs35,000 (£1,121). Even when the air taxis graduate to regular scheduled flights it is unlikely their fares will be cheaper than those of Indian Airlines, although private operators are no longer legally obliged to charge rates above those of the national carrier.

For those who see time as money, this may not be too high a price to pay.

Japanese ruling party fails in by-election

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liberal Democratic Party has failed to win a key by-election which would have made it much easier to control the Diet (parliament).

The result of Sunday's poll for a vacant seat in the bicameral Diet's upper house dashed the LDP's hopes of securing a majority in the upper house, which is less powerful than the lower house but does have the power to block important bills.

The ruling party controls the lower house but lost its majority in the upper house for the first time last year because of public anger over the Recruit scandal, controversial farm policies and an unpopular consumption tax.

With one more seat in the upper house, the LDP would have been able to exercise control with the support of independent and minority party members. The result will boost the opposition's flagging efforts to attack the LDP over plans to reform the consumption tax, the debate of which started in the Diet yesterday. The opposition parties want to see the tax abolished.

After the by-election was announced in Fukuoka, southern Japan, following the incumbent socialist member's death, the LDP poured resources into the campaign. Even though the socialists had held the seat for many years, the LDP had hoped to win because of the extraordinary personal popularity of Mr Toshiki Kaifu, the Prime Minister. According to an opinion poll carried out days before the election by Kyodo News Agency, Mr Kaifu is the most popular prime minister since the first poll was held in 1964.

However, Mrs Shigeko Mieno, a schoolteacher and the socialist candidate, managing to gather support from minority parties, including the Japan Communist Party.

The result shows that despite Mr Kaifu's personal standing with the electorate, voters remain suspicious of the party he represents and of the consumption tax. Business leaders expressed disappointment about the verdict.

● The result helped to depress shares prices; the Nikkei index fell 453.11 points, closing at 32,540.18.

Sri Lanka to rule on elections

By Mervyn de Silva in Colombo

THE SUPREME Court in Sri Lanka will rule this week on whether a draft law described by the Cabinet as an "urgent measure" is constitutional.

The law will enable the Government to hold fresh elections in the Tamil-dominated north-east of the island. The provincial council, set up after the India-Sri Lanka Accord of July 1987, gave the minority Tamils a measure of regional autonomy in a temporarily merged north and east. But the Tamil "Tigers," the most powerful of the separatist groups, boycotted the polls.

The Tigers (LTTE) claimed that the Indian peace-keeping force that had taken charge of the war-torn region made sure that pro-Indian militant groups won. The EPRLF, the Tigers' main rival, and other pro-Indian groups swept the polls.

The EPRLF leaders left with the last Indian troop ship.

Pleased that President Premadasa had got the Indian peacekeeping force off its back, the LTTE started peace talks with the Government and it is now ready to contest multi-party polls.

However, Mr Premadasa insists that the LTTE must lay down arms first.

● On Thursday, a Sinhala corporal was killed and 10 others injured at a Tiger check-point. the

South Korean GNP forecast to rise 8.8%

By John Ridding in Seoul

SOUTH KOREA'S gross national product will increase by a real 8.8 per cent this year, accelerating from last year's growth of 6.7 per cent, a government think-tank forecast yesterday.

The Korea Institute for Economics and Technology (KIET) said growth would be led by a strong construction sector and a sharp increase in domestic consumption. However, exports are expected to remain sluggish and inflation is forecast to rise to about 9 per cent, against 5 per cent last year.

Inflation, which has been fuelled by rising labour costs, rapid growth in the money supply and sharp increases in land and rental prices, has become one of the Government's principal concerns. Consumer prices rose 6.7 per cent in the first five months of the year, guaranteeing that the government's annual target of between 5 and 7 per cent cannot be met.

The economic planning board recently announced measures, including a tightening in the growth of money supply as measured by M2 and a reduction in utility charges, to limit the annual rise in consumer prices to single figures.

According to the KIET, exports will rise 4.5 per cent on a customs clearance basis to reach $65.1bn (£38.75bn).

Imports are expected to advance by 11.5 per cent to $68.6bn, giving a trade deficit of $3.5bn.

Domestic consumption is forecast to climb 10.5 per cent in 1990, reflecting increased liquidity and sharp increases in wages in the past three years. Fixed investment, buoyed by strong demand in the construction sector, is expected to grow by 25.1 per cent.

China's elderly cadres ensure PLA loyalty

By Peter Ellingsen in Peking

THE leadership of China's 3.5m-strong People's Liberation Army (PLA) has been reshuffled to ensure its loyalty to the Communist Party, following last year's anti-government demonstrations.

Western military advisers believe a "Group of 10," made up of elderly cadres, now has control of the PLA, taking over from the Central Military Commission (CMC) under Jiang Zemin, an untried party chief who has no military background.

The move is aimed at creating a respected final tier of authority as Deng Xiaoping, China's paramount leader and former CMC boss, relinquishes public posts.

Officials believe Deng, Chen Yun and Li Xiannian, two other octogenarian Long Marchers, are in the secret group, along with retired leaders who still command respect among army figures. The group is said to oversee important decisions within the PLA, approve senior promotions and direct propaganda.

During last year's democracy protests, divisions in the party and the military over use of force to put down unrest led to hesitation before the rebellion was finally crushed. Leaders now believe a strong guiding group is necessary to keep the army loyal and responsive to the party.

Since the Group of 10 was formed there has been a reshuffle in China's seven military regions.

Although some retirements were due, the changes suggest some top PLA figures have been promoted for supporting the government's orthodox stance on the democracy uprising.

Some observers believe the party has purged the PLA leadership – in particular the Peking military region – to shore up defences against dissent.

They say that two officers close to hardliners at the top have taken over as commander and political commissar of the Peking region

General Wang Chengbin, 62, who has replaced General Zhou Yibing as head of the region, is an ally of President Yang Shangkun. He led troops into Peking against students and workers last June.

Major General Zhang Gong, 55, who replaced General Liu Zhunhua as political commissar, is said to be closely tied to General Yang Baibing, brother of President Yang and CMC secretary general.

Gen Zhang, prominent in the martial law command that ruled the capital for eight months, claimed "not one student or resident was killed" in the crackdown.

The two former Peking commanders, though loyal to Deng, were allegedly hesitant in crushing the student-led democracy movement.

They were also held responsible for the reluctance of some troops under their command to use force.

Two other senior PLA figures active in quelling the uprising have also been promoted.

General Zhu Dengfa, former commander of the Shenyang region, has been appointed commander of Guangdong region, and General Guo Hui, formerly deputy commander of Jinan region, is now in charge of Nanjing region.

● China showed signs of an improving trade position, recording a $380m surplus in May as a tough austerity programme sent imports tumbling, Reuter reports from Peking.

Exports climbed 12 per cent in May from a year ago to $4.96bn while imports slumped 14 per cent to $4.58bn.

It was the third month in a row with a favourable trade balance and it brought the nation's surplus for the year to $1.8bn.

Boycott fails to disrupt Kuwaiti vote

By Our Foreign Staff

KUWAITI officials yesterday claimed a turnout of 60 per cent in Sunday's election for an interim assembly, despite a boycott campaign by pro-democracy activists demanding the restoration of the full parliament.

Fifty representatives were elected to the new assembly, which has a mandate to examine Kuwait's constitutional future, and a further 25 will be appointed by Sheikh Jaber al-Ahmad al-Sabah, the Emir. He dissolved the parliament in 1986 after MPs fiercely criticised government ministers and members of the ruling family.

The boycott campaigners, led by a group of former MPs, say the interim assembly is a toothless institution designed to delay the restoration of a full parliament indefinitely. Although the all-male electorate numbers only about 65,000, the opposition says the old parliament was an important forum for free speech.

The Kuwaiti government arrested 15 of its opponents last month after a series of political meetings were broken up by the security forces, and two Shia Moslem dissidents from Kuwait were expelled from Britain to Iran after Bahrain and Kuwait had put pressure on the British authorities. Sheikh Jaber waived the charges against the 15.

Lebanese pound slides

By Lara Marlowe in West Beirut

THE Lebanese pound reached an all time low of 667 to the US dollar yesterday after President Elias Hrawi and Prime Minister Selim el-Hoss returned empty-handed from a five-day tour of Arab countries. The two men had hoped to receive economic and military assistance from the Egyptian, Libyan and Tunisian governments.

The Lebanese leaders put a brave face on their failure to obtain any commitments, saying that the talks were "useful and positive" and claiming that the goal of the trip had been only to "brief Arab leaders".

The crisis of the Lebanese pound, which was worth 2.5 to the US dollar in 1975, has been aggravated by renewed bombardments in the Christian enclave at the weekend, a deadlock in negotiations between rival Shia Moslem militias and the formation of a right-wing government in Israel.

An official at Lebanon's central bank yesterday summarised the results of the official visits which ended on Sunday when he said: "The rate was 667 today because Lebanon did not get a penny from the trip. We had expected a lot of help.

"The Egyptians said they have economic problems of their own. Col Muammer Gadaffi said 'we are not going to help the Lebanese army because we we don't know which army we would be helping' and the Tunisians were very apologetic. Chedli Klibi (the secretary general of the Arab League) said that Lebanon has to sort out its own problems. So we will have to rely on ourselves to protect the Lebanese pound."

PLO condemns attacks on civilians

The Palestine Liberation Organisation yesterday condemned all attacks on civilians but did not specifically denounce a May 30 sea raid on Israel by a PLO faction, Reuter reports from Amman.

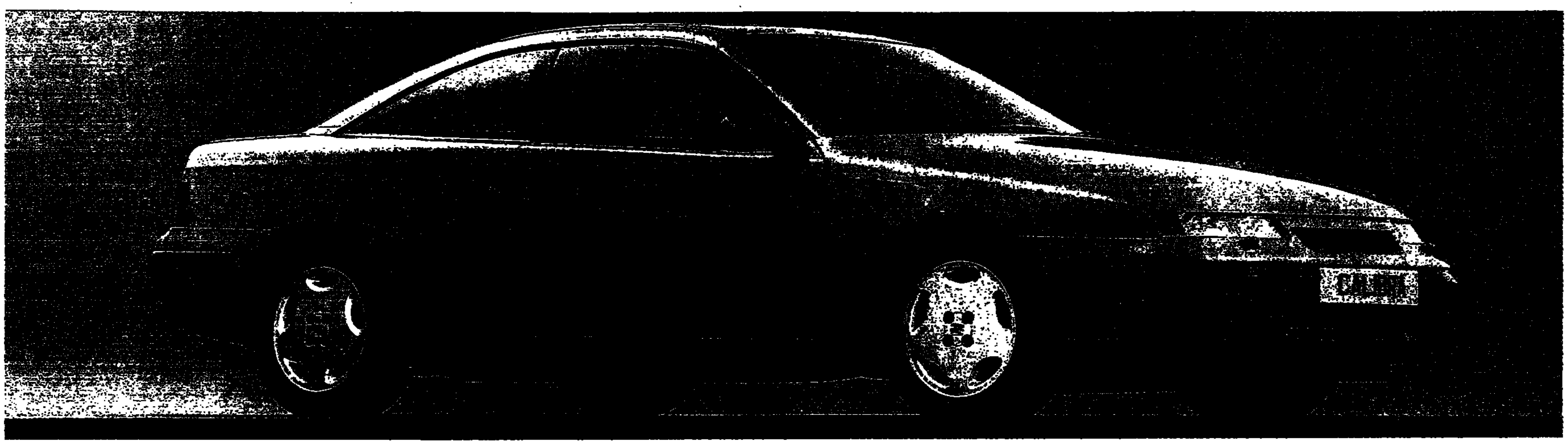
"We remain against any military action which targets civilians regardless of the nature of such action and we condemn it," said a statement issued by the PLO in Amman and Tunis, where it has its headquarters.

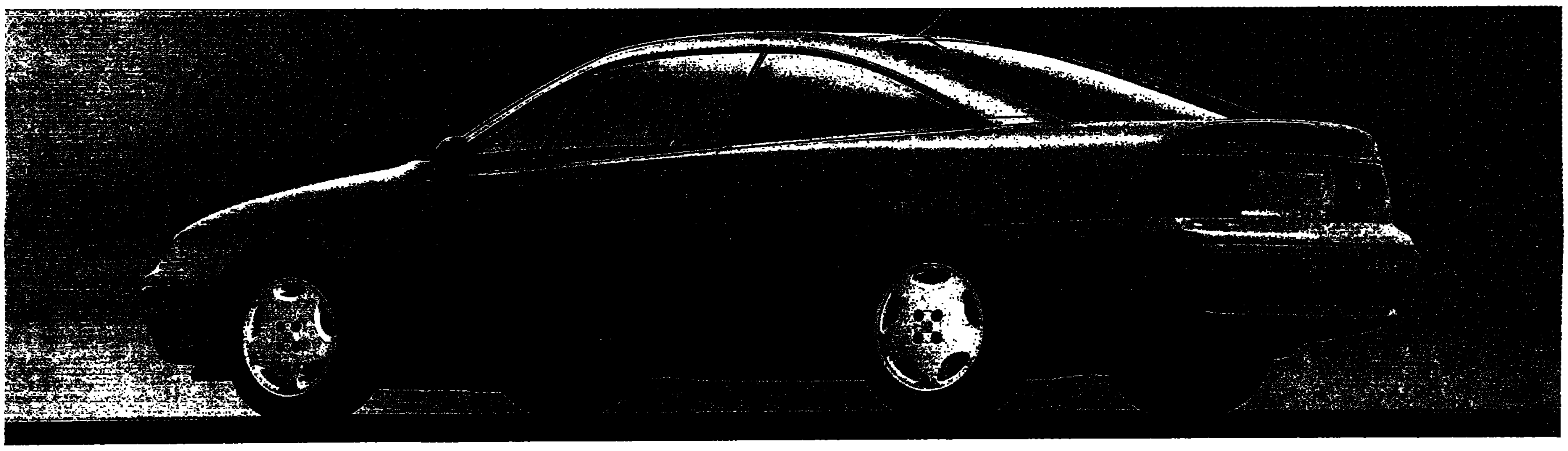
It was not clear whether the statement would satisfy the US which is considering breaking off its dialogue with the PLO over the attack by the Palestine Liberation Front.

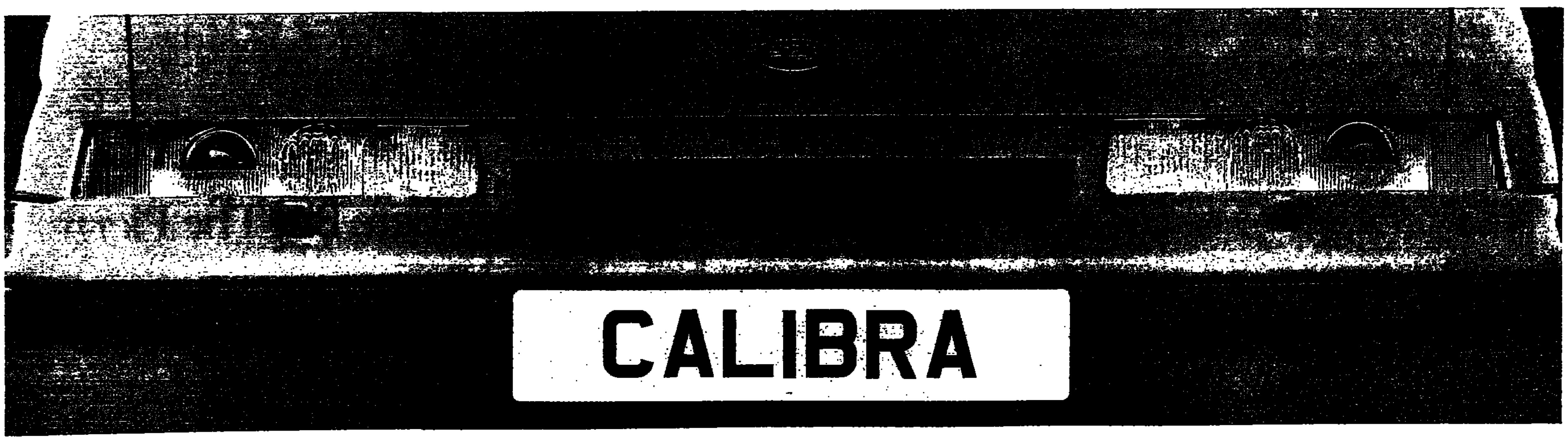
S Korea's red debts

China and the Soviet Union owe South Korean companies a total of $92m in unpaid import bills, a South Korean newspaper reported yesterday, AP-DJ writes from Seoul.

"VAUXHALL MAKES A STUNNING START TO THE NINETIES."







A nanny became a Princess. A Boomtown Rat became an Honorary Knight. And, to cap it all, Wimbledon won the Cup.

We've just emerged, pinching ourselves, from a decade when we got rather used to the unexpected.

But in the motor industry, the 'eighties saved their biggest surprise until the very end.

Last year, Vauxhall unveiled a car called Calibra. Those present – the press at previews and the public at the major European motor shows – couldn't have been less prepared for what they saw.

Because it's not every day, not even every decade, that a new car appears which bucks so many trends and owes so little to prevailing thinking.

And because this simply wasn't the type of car that Vauxhall was supposed to make.

Sleek, dramatic good looks were supposed to be the exclusive property of the more fashionable marques.

Yet Calibra beat all-comers (including Ferrari and Mercedes) to win the Autocar & Motor Design of the Year Award. (One Judge even going so far as to say, "In ten years' time, 1989 may well be seen as the year when Vauxhall redefined the sports coupé.")

Technical innovation was supposed to be a Bavarian speciality. Yet here was a Vauxhall with the astonishing Cd figure of 0.26, making it the most aerodynamic production car in the world.

And, as a result, giving it better driving stability, reduced fuel consumption and lower noise levels.

Calibra had its UK launch on June 10th.

A fully emission-controlled engine, including electronic management and catalytic converter, is standard on both 8 and 16 valve models, as is ABS.

The finer points of performance and specification (finer being the operative word) should be left to our dealers. They've given Calibra pride of place in their showrooms.

And while they're telling you about it, take a close look at the finest four-seater coupé of the 'nineties. It's going to make an awful lot of cars look, well, just a bit 'eighties.

VAUXHALL

Once driven, forever smitten.

UK NEWS

Home loans group sees profits fall

By David Barchard

NATIONWIDE ANGLIA, the second largest UK home loans and savings institution, yesterday revealed a fall in full-year pre-tax profits after heavy provisions against bad loans and continuing losses by its estate agency operations.

Taxable profits for the year to April 4 fell by 2.1 per cent to £233.Mr Tim Melville-Ross, chief executive, said that 1989-90 had not been a vintage year for the society, but firm foundations had been laid for future success.

The society put aside £14.5m for general provisions on its mortgage lending and £7.5m for specific provisions, compared to a £2.2m specific provision last year. Provisions on commercial lending were £29.5m, up from £200,000 a year ago.

There was also a £13.7m provision on bad debts on the society's FlexAccount current account, which has around 1.2m customers, launched in May 1987. Last year £8m was spent on provisions against bad debts.

Nationwide Anglia's estate agency chain reported a £19m loss, with income down by 20 per cent. However, £4.2m of the losses came from rationalisation of the network.

Nationwide Housing Trust, which provides housing for lower-income, first-time buyers, the elderly, and inner city families, reported a £22m loss.

The society's assets grew from £24.3bn to £26.6bn during the year, but its total share of the UK mortgage market fell from 5.7 per cent to 5.5 per cent at a time when building societies have been gaining market share.

It also made an extraordinary profit of £11m through the sale of its headquarters, and sold a 25 per cent stake in its estate agency operation to an insurance group for £18m.

Higher than expected retail sales; wage rises seen as driving force

Fresh fears over cooling economy

By Anthony Robinson

HIGHER THAN expected retail sales in May yesterday provided fresh evidence of buoyant consumer demand and placed a new question mark over Government attempts to cool the economy at current interest rates.

City analysts pinpointed the underlying 9.5 per cent rise in wages as the driving force behind the provisional 1.1 per cent rise in the retail sales volume index announced by the Central Statistical Office.

"There is still daylight between the 9.5 per cent rise in wages and the tax and price inflation rate of around 8 per cent," Mr Kevin Gardiner of Warburg Securities said.

According to the government's tax and price index, taxpayers needed to increase gross income by 7.7 per cent in April to maintain their purchasing power after changes to tax and national insurance deductions.

"This means that people don't have to borrow to keep buying and we now expect higher consumer spending to push GDP growth up to 2 per cent this year, nearly double the government's target," Mr Gardiner added.

The rise in the index to 125.4 from 124 in April outstripped market expectations of a modest 0.4 per cent increase in high street sales. But news of the higher than expected rise was accepted calmly on the foreign exchange market.

Worries about rising underlying inflation and resilient consumer demand were underscored yesterday by figures showing the cost of goods leaving the factory gates ratcheting up.

Producer output prices rose 0.5 per cent in May to an annual rate of 6.2 per cent.

A spokesman for the Retail Consortium, which claims to represent the views of most major retailers, cast doubt on the reliability of the government's retail sales statistics, and warned that the apparent buoyancy in retail spending was confined largely to food and small ticket items.

"We do not accept that the government's policy has failed. Just look at the sales and discount prices on offer. The red ink on high street windows tells of sluggish sales and difficult trading for many of our members, especially furniture and consumer durables" said Consortium spokesman Mr Bernard Hughes.

Retailers fear that this latest evidence of buoyant purchasing power could induce a reluctant government to raise interest rates further to dampen the overall consumer demand.

A Treasury spokesman yesterday discounted such fears, pointing to the erratic nature of monthly figures.

The latest three monthly average figures showed that retail sales rose only ½ per cent over the March-May period, compared with the previous three months, and were a modest 1¼ per cent higher than the same period last year.

These figures are dramatically lower than the 8 per cent jump in sales registered in 1988 which set alarm bells ringing in Whitehall and sparked higher interest rates to cool an overheated economy. "Perhaps retail sales could have slowed down more, but we don't get worried about one month's figures. We might get more worried if the trend continued for several months," the Treasury spokesman added.

Search ends for missing investments chief

By Richard Waters, Richard Donkin and Jimmy Burns

MR ROBERT Miller, the missing chief of failed investment firm Dunsdale Securities, yesterday gave himself up to police investigating the £17m collapse of his company.

Mr Miller's surrender was announced as many of his 220 clients attended a meeting called by Dunsdale's liquidators, at which they were told that there was virtually no trace of their investments.

London solicitors Peters and Peters, representing Mr Miller, said their client kept a 10.30 am appointment with the fraud squad. "Mr Robert Miller voluntarily met officers of the Metropolitan and City company fraud squad by prior arrangement with a view to assisting them with their current inquiries," a spokesman said. Police have been searching for Mr Miller since his disappearance from Dunsdale's Park Lane office 11 days ago, when clients found they could not withdraw their money and an injunction was taken out by lawyers representing clients, freezing his assets in the UK.

After being questioned throughout yesterday, police said Mr Miller would be held overnight at Holborn police station.

Meanwhile, around 100 clients of Dunsdale or its representatives attended yesterday's creditors' meeting, to be told about the chances of recovering their money. The liquidators reported that they had discovered few assets at the firm and that Dunsdale appeared to have one, £100,000, indemnity insurance policy covering its investments.

Discussion focused on the chances of recovering money from the Department of Trade and Industry, which regulated the firm from 1977-88, and from Fimbra, the Financial Intermediaries Managers and Brokers Regulatory Association. The DTI was involved with, but did not license, Dunsdale from 1974-77. Fimbra yesterday defended itself strongly over its role in connection with Dunsdale.

According to investors, the information to emerge indicated that Mr Miller speculated heavily on stock exchange and was suffering acute cash problems as a result. Investigators found an unpaid certificate for £1m of Reuter shares in his offices.

Information has also emerged indicating that Dunsdale was run very much as the personal domain of Mr Miller. "The implication is that none of his staff knew what was going on," said one investor yesterday.

Mr Hyman Lehrer, a solicitor who acted as company secretary for Dunsdale, said he had had nothing to do with the company since 1975 except for signing some accounts in 1977. He said: "It was something of surprise for me to find last Monday in company searches that recently I was still being named as company secretary."

BRITAIN IN BRIEF

UK unions establish EC links

British unions have established cross-border employee participation and consultation arrangements in 12 European companies and are likely to reach other similar agreements, the general technical union MSF claimed.

The union named 12 companies which it said had established arrangements such as company councils to consult employees in different countries. They included Continental Can, Pechiney, BSN, and Alliance International.

The union has been pressing for more European-level employee consultation as a means of getting information on British subsidiaries. It follows increasing interest among British unions in employee relations models in Europe.

The French electronic group Thomson was one of the first companies to establish European-wide consultation procedures last year. Since then, British unions have managed to achieve similar arrangements elsewhere.

The companies named by MSF were: Alliance Insurance, BSN, Continental Can, Honeywell Bull, Nestle, Pechiney, St Gobain, Scansped, Thomson Consumer Electronics, Continental Rubber, Co-operative Insurance and Eagle Star.

It said it was "actively seeking" similar consultation mechanisms with companies including Airbus Industrie, CMB, Ford of Europe, GEC-Alsthom, General Motors, Gillette, Kodak, Renault Volvo, Rhone Poulnece and Unilever.

N-power appeal by Wakeham

A plea for increased international collaboration in nuclear power as a means of combating the greenhouse effect was made yesterday by Mr John Wakeham, Energy Secretary.

Speaking in Washington to US politicians and representative of the US nuclear industry, Mr Wakeham said that global warming poses "some fundamental choices about nuclear power which, for all its undoubted problems, still remains perhaps the cleanest significant source of baseload power available to us."

Electricity boards lose

Many electricity boards of England and Wales have lost some of their oldest and largest customers, not only to the generating companies, National Power and PowerGen, but to sister distribution boards in other parts of the country.

The scale of this competition among the 12 distributors has emerged following the scramble to supply sites requiring at least one MegaWatt of power which took place last month.

Much of the competition, initially for 12-month contracts, was between adjacent boards, eager to supply sites along their common border areas. However, Southern Electric, based at Maidenhead in Berkshire, yesterday said it had picked up business in 31 premises as far afield as North East England and South Wales.

Staff call off Heathrow strike

An end to the two-week strike by 7,000 British Airways maintenance staff at Heathrow airport over new 12-hour shifts came when a mass meeting of workers voted overwhelmingly for an immediate return to work.

BA will not now be imposing the shifts, as had been threatened, but will introduce the new hours on a voluntary basis in eight weeks' time. The management hopes that sufficient volunteers to make the 12-hour shifts workable, can be located during that period.

SIB review

Rules on where investment firms place clients' funds are to be reviewed by the Securities and Investment Board following the recent failure of British and Commonwealth Holdings.

The existing rules on clients' funds merely state that they must be placed with a bank with Bank of England authorisation. Last week £300m of clients' funds at British & Commonwealth Merchant Bank were frozen when its parent company went into receivership after the SIB ordered depositors to withdraw their funds from the bank, in a move which sealed the fate of the group as a whole. A substantial chunk of B&CMB's funds had been deposited by other subsidiaries of the group, including Exco International, the world's largest money broker.

By Our Belfast Correspondent

HARLAND and Wolff of Northern Ireland, the Belfast shipbuilder, made a pre-tax profit of £1.7m in its first nine months as a privatised company, it was announced yesterday.

The profit was achieved mainly as a result of £4.4m interest received on its cash reserves and the accounts show the company made a £2.7m loss on its shipbuilding operations.

The company's unaudited interim results for the period to March 31 show an after-tax profit of £500,000 on a turnover of £68.7m.

The company was privatised last year in a management-employee buyout, which involved the Government writing off substantial losses and helping to re-capitalise the yard, pictured above.

Since then, Harland has been radically re-organised. Parts of the old company, relating to ship repair, electrical services and technical services, regarded as having potential for independent profitable growth, have been formed into autonomous subsidiaries.

The trend has continued and the group has added separate subsidiaries relating to its protective coating and outfitting services activities.

Mr Fred Olsen, the Norwegian shipowner, put £12m into the buy-out and is on the Harland board. He placed orders for three tankers with Harland at the time of the privatisation and has since placed orders for two further tankers.

UK NEWS

Merchant bank withdraws from market making

By David Barchard

ROBERT FLEMING, the City merchant banking group, yesterday became the latest bank to withdraw from equity market making. Mr Christopher Munro, director, said Fleming had decided to concentrate on the agency side of its business, following a similar decision by Lang Cruikshank.

The withdrawal is the latest in a series of similar moves in the last ten days. Last week Crédit Commercial de France (CCF), the French bank, closed its Laurence Prust institutional stock broking business, where Kitcat & Aitken, the Royal Bank of Canada subsidiary; and Stock Beech Securities, the market making arm of British & Commonwealth's Stock Group, both stopped trading last week.

Fleming began market making in electronics shares in 1984, and began charging commissions from clients in 1987.

In January 1989, it recruited two senior figures from Scrimgeour Vickers, Mr Terry Connor and Mr Bob Wade. Yesterday their future was under discussion, with at least one of them expected to stay on.

Twelve Fleming's traders will lose their jobs as a result of the decision. Mr Munro said Fleming's decision applied to UK equities except for corporate stocks of companies with which it had a relationship.

ISLE OF MAN COLLAPSE

Manx offer of £4.45m on lost SIB deposits

By Sue Stuart

MORE THAN 1,500 depositors in the collapsed Savings and Investment Bank may recover half of their lost deposits from the Isle of Man government, it was revealed yesterday.

Mr Miles Walker, the island's Chief Minister, unveiled proposals for a £4.45m ex-gratia payment scheme to the bank's depositors. The scheme, which has been agreed by the Manx Cabinet, will go before the full Manx parliament on June 19.

Depositors have so far recovered nothing since the bank failed in June 1982. Its collapse left £42m debts and 2,252 creditors, many of whom lost their life savings in the collapse.

The Manx government has consistently denied legal responsibility for depositors' losses. This stance was upheld by the Privy Council in the UK, which ruled in April, after six years of legal action by depositors, that the government did not owe a duty of care.

Release last month of the hitherto secret 1982 Bank of England report into banking supervision on the island revealed that the administration of the day had been lax. It was this revelation that prompted the government's decision to consider ex-gratia payments.

Under the proposed scheme, maximum individual payment would be 50 per cent of the first £10,000. This has been based on the deposit protection scheme available in England in 1982, when the bank collapsed.

Some 1,680 eligible depositors had placed £10,000 or less with the bank and a further 211 between £10,000 and £20,000, 206 between £20,000 and £100,000, 36 between 100,000 and 500,000 and one £537,000.

Payment would be administered by the bank's liquidators and will extend to both personal and corporate accounts.

Mr Ken Potts, of the depositors' committee of inspection, said the amounts being offered were "an insult." Eight depositors still held protective writs against the Manx government, Mr Potts said.

Former Rover Group parts company to announce joint venture with Japanese manufacturer

Unipart looks to Japan for catalytic converters

By John Griffiths

UNIPART, the parts and distribution concern formerly owned by Rover Group, is expected shortly to announce a joint venture with a Japanese company to manufacture catalytic converter systems to curb car exhaust emissions.

The objective is to capture part of a market expected to enjoy explosive growth in Western Europe, as legislation takes effect which will require virtually all cars produced to be fitted with catalytic converters by 1993.

Johnson Matthey, one of the world's biggest producers of the precious metal-coated catalyst cores which lie at the heart of such systems, has predicted that at least 20m units a year will be required by West European producers in the mid-1990s.

While Unipart executives would offer no formal confirmation yesterday, the joint venture is understood to be with Yotaka Giken, one of Japan's biggest catalyst "canners" – the term used to describe encapsulation of the catalyst within a steel exhaust systems designed for specific vehicles.

Unipart, which derives around half its turnover from Rover-related business, is believed to consider itself well placed to secure supplies of catalytic converters to both its former owner, Rover, which still has a 20 per cent share in the company, and Honda, which is currently building a 100,000 cars a year car assembly plant at Swindon, Wiltshire.

The catalytic converter plant is also seen as being complementary to the activities of another company set up last year by Unipart's manufacturing subsidiary, Unipart Industries, to produce exhaust systems for the recently-launched Rover 200/400 and Honda Concerto car ranges.

The catalytic converter systems are expected to be produced at the same site as the exhaust systems subsidiary, Coventry-based Premier Exhaust Systems.

The new venture forms part of what Unipart's group chief executive, Mr John Neill, described yesterday as the "long-term view" strategy reflected in a high level of investment, which also includes a highly robotised fuel tank manufacturing plant supplying Rover and Honda, and which used manufacturing facilities developed by Yachiyo Kogyo, in which Honda has a 41 per cent interest.

The plants involve "just-in-time" concepts, with Unipart building to a six-hour order bank and delivery systems to Rover's Longbridge plant every 2½ hours.

Oxford aspires to new church policy on S Africa

By Alan Pike, Social Affairs Correspondent

THE Diocese of Oxford will consider removing its £2m funds from the Church of England's central finances later this month because of dissatisfaction over investment in companies with South African connections.

This follows a recent decision by the Rt Rev Richard Harries, Bishop of Oxford, to launch a High Court action to try to compel the Church Commissioners – the church's main financial arm – to pursue a stronger ethical investment policy.

Both moves reflect concern within the Church of England about the moral implications of the way its substantial funds are invested.

The Oxford investments are held by the Central Board of Finance, which invests some £300m on behalf of the church's dioceses and parishes. The board is chaired by Sir Douglas Lovelock, the First Church Estates Commissioner.

Members of the Oxford Diocesan synod have had a policy of supporting disengagement from South Africa since the mid-1980s and, as part of this, a monitoring group scrutinised the Central Board of Finance's investment policy.

The group concluded that the board had taken some steps to disengage from South Africa but "more could and should have been done."

Late last year the Oxford diocese resolved to avoid investments in companies which had a substantial stake in the South African economy.

A "substantial stake" was defined as companies which employed more than 1,000 workers, including associates or subsidiaries, in South Africa, or had an annual turnover there of more than £100m.

It also included those which derived more than £10m in annual profits or 3 per cent of their worldwide profits from South African activities.

"We met Sir Douglas and other members of the Central Board of Finance and asked whether they could meet our criteria. They could not," said Mr George Hammond, chairman of the Oxford Board of Finance.

If the Oxford board approves a resolution when it meets on June 23, the diocese's funds will be transferred to the Amity Fund run by the Ecclesiastical Insurance Group.

There is likely to be some opposition to moving the Oxford investments in view of the current political changes in South Africa.

"Some industrialists in the diocese certainly believe that investment in South Africa should continue," said Mr Hammond. "But the church in South Africa is asking for the pressure to be kept on at this time of political change, and we are attempting to respond to that."

TELECOMMUNICATIONS

US group plans £500m investment in British networks

By Hugo Dixon

PACIFIC Telesis, the US telecommunications group based in California, plans to invest £500m ($840m) in the UK telecommunications industry over the next seven years.

Mr Sam Ginn, Pacific Telesis' chairman and chief executive, said in an interview last week that about half the money would be invested in the cable television industry, and half would be invested in MicroTel, the personal communications network in which it has a 20 per cent stake.

Pacific Telesis has been one of the most active players in cable TV over the past 18 months and now has shares in 12 franchises covering 1.5m homes. MicroTel is one of three personal communications networks licensed last year to compete with the cellular systems run by Vodafone and Cellnet.

Mr Ginn said Pacific Telesis would be pressing the UK Government to lift the restrictions on cable TV companies carrying telephony down their networks during the upcoming review of the British Telecom/Mercury Communications duopoly.

But he argued that the time was not yet ripe to allow BT to carry television over its network, saying that cable TV was an infant industry which needed protection, saying that the attractiveness of cable TV as an investment would be diminished if BT were given this freedom: "We would not pour money down a rat hole."

The £500m that Pacific Telesis is planning to invest in seven years compares with the £1bn that Mercury has invested in the past six years and the £3bn that BT invests each year.

Delay in update of UK telephone exchanges

BRITISH TELECOM, the UK telecommunications company, is not planning to complete the modernisation of its telephone exchanges until early next century, several years later than had been expected. It said its old-fashioned exchanges would be replaced by digital ones not later than the end of 2002.

Although BT insisted that it had not committed itself to a specific deadline, the Office of Telecommunications, the industry watchdog, and other observers had been under the impression that the modernisation process would be finished by the end of this century.

The Telecommunications Users Association, which represents telephone customers, said a delay to early next century would be disastrous for the UK. "Our concern is that their (BT's) priorities may be shifting overseas, where they think more money is to be made. As a monopoly carrier, they have a responsibility to get things right here."

The modernisation of BT's exchanges is important for two reasons. First, it would be easier for Mercury Communications and any other rivals to plug their networks in BT's if it were modernised. There is some concern that BT may have an incentive to delay the replacement of its exchanges as a means of keeping competitors out of the market.

Second, certain advanced features which could be of use to British business are only available on digital exchanges. These include a system known as Integrated Services Digital Network, which allows faxes to be sent at six times the normal speed and voice and data traffic to be combined on a single telephone line. BT's Star Services – call forwarding, call waiting, conference calling, short code dialling and so forth – are also only available from digital exchanges.

Neither Oftel nor the UK Government have so far taken much interest in BT's plans for modernisation. But the matter is expected to be examined as part of the Government's review of the BT/Mercury duopoly which officially begins in November.

At present, about 40 per cent of BT's 25m lines are digital.

Duopoly review commissioned by watchdog

OFTEL, the UK Office of Telecommunications, the industry's regulator, has commissioned a series of reports into how competition in the telecommunications market can be increased as part of the UK Government's review of the British Telecom–Mercury Communications duopoly.

The decision to commission the reports shows that Oftel and Sir Bryan Carsberg, its director-general, will be involved in the duopoly review led by the Department of Trade and Industry.

The DTI believes new legislation will not be needed to implement the results of the review. Officials think it will be possible to introduce more competition by issuing new licences and changing the provisions of existing licences.

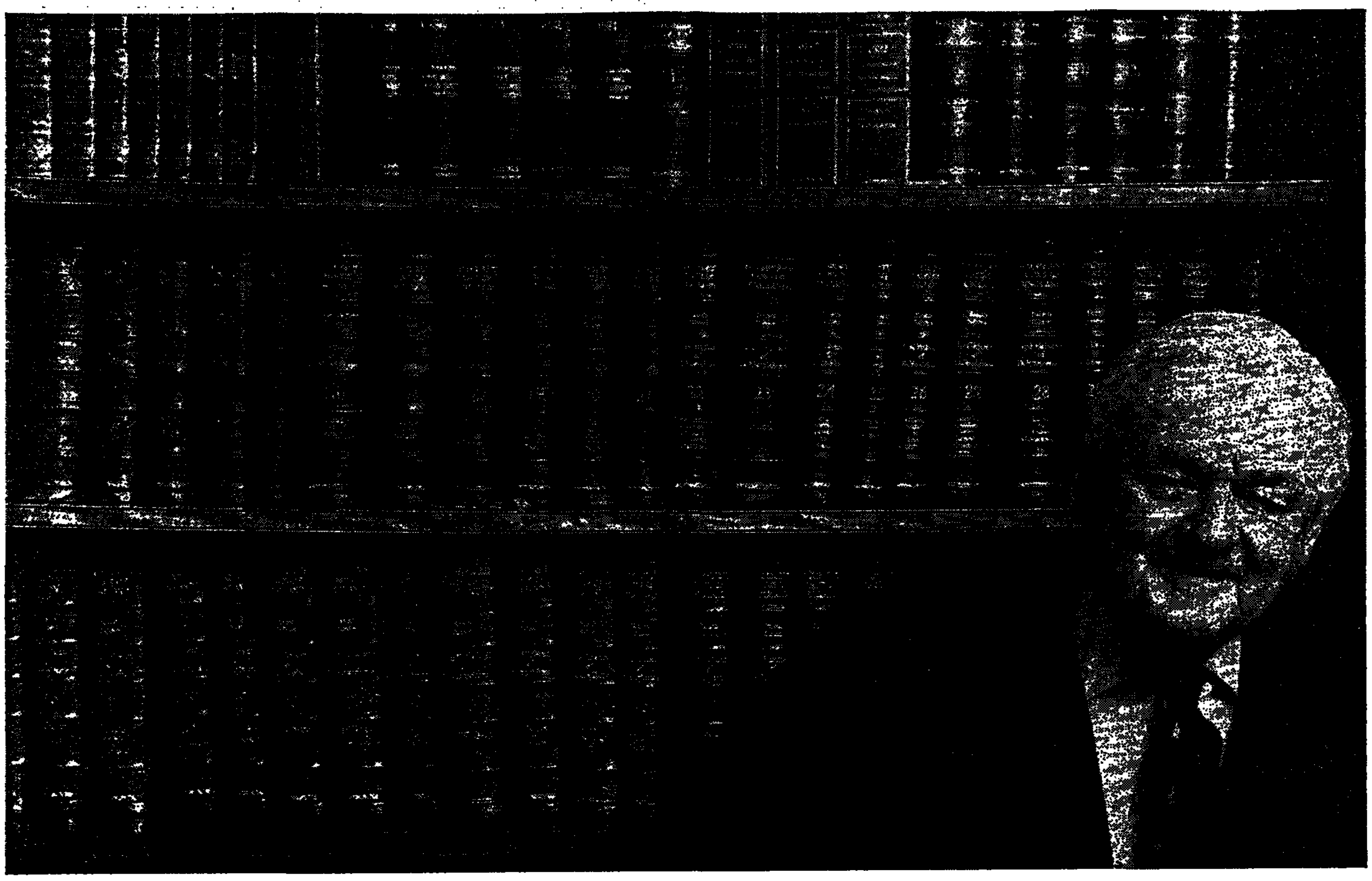
A further advantage of such an approach from the Government's point of view is that it would allow the process to be finished before the next General Election.

The Government believes that the Labour party's plans for buying back a majority stake in British Telecom, which was privatised in November 1984, would require legislation.

The Department of Trade and Industry plans to publish a Green Paper in November setting out the main options for increasing competition in different parts of the market. Officials aim to agree the text by the end of September.

Oftel has commissioned four separate reports: Interconnect Communications is looking at how effective competition between BT and Mercury has been; Ovum, a UK telecommunications consultancy, is examining whether cable television companies could provide competition to BT at a local level; Touche Ross, the London accountancy firm, is studying whether radio communications could be a viable alternative to cable for carrying telephone calls to people's homes; and Nera, a communications consultancy, is producing a report on whether companies should be able to construct their own private networks instead of having to rent them from BT or Mercury.

When you consult a lawyer this is what the lawyer consults.



Halsbury's Laws of England was first published by Butterworths in 1907 as a 'Complete statement of the whole law of England.'

Now in its fourth edition (edited by Lord Hailsham) it runs to fifty-six volumes and costs over £3,000.

Butterworths has become a leading international publisher of legal and professional titles. (Just ask to see the six volumes of 'Scott-Brown's Otolaryngology.')

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TECHNOLOGY

Louise Kehoe reflects on the accomplishments of the late Robert Noyce, pioneer of the US semiconductor industry

Natural leader with a national purpose

Seated at a battered picnic table, squinting into the bright California sunshine, Robert Noyce discussed the travails of the US semiconductor industry. Dozens of engineers and salesmen attending an industry trade show were milling around, but few of them seemed to recognise the man whose accomplishments had made all of their enterprises possible.

As the inventor of the "microchip" and co-founder of two of the most influential semiconductor companies in the US – Fairchild Semiconductor and Intel – Noyce was a legendary figure, but he avoided the public limelight and spent little time reflecting on past glories.

His untimely death last week at the age of 62 cut short his efforts to ensure that US companies would continue to play a leading role in chip manufacturing. As president and chief executive of Sematech for the past two years Noyce headed a consortium of US semiconductor manufacturers taking a radically new collaborative approach to re-establishing US pre-eminence in semiconductor manufacturing technology.

On that sunny morning, three weeks ago, Noyce talked about the progress Sematech has made in fostering more co-operative relationships among US semiconductor manufacturers and with their suppliers of production equipment. He believed that collaboration is essential if the US semiconductor industry is not to be overwhelmed by foreign, principally Japanese, competition.

Noyce expressed his concerns about foreign acquisitions of US semiconductor production equipment and materials manufacturers. He feared that the trend signalled the "hollowing" of the infrastructure of suppliers upon which the US semiconductor industry depends.

Although Noyce never sought public recognition and decried the "media practice of creating industry personalities," he was acclaimed by his peers as the founding father of the semiconductor industry and of Silicon Valley. He was a natural leader who drew out the best in those who worked with him.

As an inventor, as an entrepreneur, as a manager and more recently as the US semiconductor industry's chief advocate in Washington, Noyce played a pivotal role in the US semiconductor industry throughout his career.

It was as a young man in his thirties, working at Fairchild Semiconductor, that Noyce first conceived of the idea of building multiple transistors on a single chip of silicon and created the prototype "integrated circuit".

(At about the same time, Jack Kilby of Texas Instruments came up with a similar, though less refined model of an integrated circuit. Following a 10-year patent rights battle between Fairchild and Texas Instruments, both companies' rights were upheld. Noyce and Kilby became known as the "co-inventors" of the semiconductor chip.)

Little did Noyce realise then the enormous impact that his invention would have upon society.

The ubiquitous semiconductor chip has become the building block of the information age, the critical component of computers and a myriad of other electronic products. Robert Noyce may never have been a household name, yet few households, offices or factories in the developed world have not directly benefited from his creative genius.

The microchip was not, however, Noyce's only invention. He was an inveterate tinkerer. He built, and flew, model airplanes and was in his element at his workbench. His latest craze had been to construct plastic camera cases for underwater photography. "He could have made a business out of it," Ann Bowers, his widow, maintains.

Many who knew Noyce were struck by his breadth of interests. Noyce was, by all accounts, a daredevil on the ski slopes. He was also a keen scuba diver, an accomplished musician and the director of a madrigal singing group. He piloted his own private plane. "It was disgusting the number of things Bob did well," Bowers jokes.

The third of four sons of a Congregational minister, Noyce grew up in Grinnell, Iowa, a small mid-western town, during the depression. "I grew up in a special place and time, and I believe the lessons my generation learned have a special significance for today's America," he recently told a group of Iowa businessmen.

The values instilled in his youth proved to be "the foundation for almost everything I've done since," Noyce said. "They were: work hard, save your money, get an education, try to get ahead."

He worried that Americans no longer value these "first principles" as they once did. "When I was a youngster, I made my money by throwing [delivering] the Des Moines Register, mowing lawns in the summer and shoveling sidewalks during the winter." The sparks of entrepreneurial spirit also were kindled in Grinnell. "I used to offer our neighbours annual contracts for snow shoveling," Noyce explained. "Of course, I prayed very hard that it wouldn't snow, and I can remember one particular mild winter when I made out like a bandit. But if it did snow, I had that obligation I could not duck . . . I learned that the rewards of taking a risk can often be greater than the cost."

Robert Noyce: 'Position power is not as important as knowledge power'

Thus when Noyce was invited, in 1956, to join an élite team of young scientists and engineers working under William Shockley, one of the inventors of the transistor, he did not hesitate to resign his job at Philco in Philadelphia and travel to California.

Shockley was the "guru after whom the disciples (also including Gordon Moore, now chairman of Intel) followed," Noyce said. Shockley was also, however, an eccentric (he later became famous for his controversial racial theories) who was difficult to work with.

A year was enough. Noyce and seven other young engineers known in Silicon Valley lore as the "Traitorous Eight", left Shockley to form Fairchild Semiconductor, the "mother company" whose early employees went on to found the semiconductor giants of Silicon Valley – Intel, Advanced Micro Devices and National Semiconductor.

With Gordon Moore, Noyce co-founded Intel in 1968, creating the first "spin-off" company and establishing the process that has since populated the region with hundreds of high-technology firms.

Reflecting on his accomplishments, two years ago, Noyce said that one of his greatest satisfactions was in "having developed a meritocracy" at Intel, "based on knowledge, not position. Position power is not as important as knowledge power." Noyce set an egalitarian tone at Intel that became the hallmark of Silicon Valley.

Intel also made Noyce a multi-millionaire. Yet he regarded money as merely "a way to keep score" and said that having achieved wealth allowed him to support causes that he cared about. Chief among these was education. For several years Noyce sat on the Board of Regents of the University of California. He was also an adviser to the Massachusetts Institute of Technology (where he obtained his PhD) and a patron of his Alma Mater, Grinnell College.

Recently he and his wife had been active in seeking ways to address the problems of secondary education. He was especially troubled by the high drop-out rate among high school students and the low priority given to science and maths in the schools which he felt would have a damaging effect upon the competitiveness of US industry.

Noyce similarly viewed Sematech as a vehicle to strengthen US industrial competitiveness. "We are fostering co-operation to try to raise the capability of American industry," he said in explaining Sematech's purpose. "And we are doing so by adopting some of the elements of the Japanese model, a model that seems to be working better than own."

"Bob believed that Sematech represented an important new model for rebuilding the international competitiveness of US industry," Bowers said last week. "He had come to the conclusion that the old methods just were not working any more . . . that the US had to try something new if our industries were not to decline."

Noyce's role at Sematech placed him, however, in the centre of a political debate over the proper role of the Federal Government in supporting US industry. Sematech receives half of its $200m annual budget from the US defence department while the remainder is paid by the 14 member companies of the consortium.

Persuading the Bush Administration to continue its support of Sematech became a challenge for Noyce. He made frequent trips to Washington to lobby on behalf of the consortium.

He refuted those who claimed that funding of Sematech represented a form of industrial policy. "Sematech is unique, but the idea of getting Government, industry and academia together for a national purpose is not at all new," Noyce argued. "Years ago, the US named agriculture as a critical industry and began a national effort to make sure our nation's farmers had what they needed to survive and compete. When Sputnick was launched in 1957, America decided aerospace was a critical national industry, and put its will and resources into making sure it succeeded too," he said.

Semiconductor manufacturing is also an industry that is critical to the economic well-being of the US, and deserving of Government support, Noyce maintained. He made a powerful impression upon Congressional committees with his forthright testimony on the semiconductor industry. He was frustrated, however, by the lack of attention given to industrial competitiveness by the Bush Administration.

Bob Noyce would no doubt see the irony in an incident that occurred hours after his death. When an industry representative called the White House to relay the news of his passing to the President, aides reluctantly took the message.

The next day President Bush called Ann Bowers to offer his condolences. "I was floored," Bowers admits.

When the President asked what he could do to help, she none the less had the presence of mind to respond by seeking his continued support of Sematech. "I would like Sematech to be a living memorial to Bob Noyce," says Bowers.

Private calls on public network

Metropolitan area networks promise to revolutionise business communications services in Europe, and mean good news for public phone operators and customers.

That was the message from North America's phone operators and equipment makers at the 13th International Switching Symposium (ISS) in Stockholm last month.

Held every three years, the ISS is traditionally the showcase for the world's public phone equipment manufacturers, but this year technical innovation had to share the stage with a newcomer – customer satisfaction.

The question addressed by the US phone operators, and which must inevitably concern their European counterparts, was how to enable a company with several offices around the country to link its individual computer networks together – so a computer in Seattle can communicate with one in Miami, for example.

The ability to offer these services is highly attractive to the US regional Bell operators (RBocs), which have seen valuable business being lost when individual companies establish their own inter-office networks.

Metropolitan area networks (Mans) have been identified by the US operators as the possible means to stop the drift. Mans are high-capacity fibre-optic wide area networks which will be run by public telephone operators and will offer business customers voice, data and video services that can be dedicated to their specific needs. Mans will be aimed primarily at computer-to-computer communications, but will also include voice phone services.

Mans transmit up to 150m computer bits – or nearly 2m alphanumeric characters – every second. This means that image and text data, such as that used in computer-aided design and medical imaging – which require large amounts of capacity – can be transferred quickly and cheaply from location to location via the public phone network.

But the networks are only part of the solution. The RBocs realised that they needed to offer large corporate users packages of standard services, a combination of hardware and software to enable them to carry out certain specific tasks, such as desk-top publishing.

In 1988 Bell Communications Research (Bellcore), the technology "think-tank" for the RBocs, was commissioned to develop a set of standard broadband services which the US corporate user wanted and at prices competitive to those on privately owned networks. Ever eager to create a new acronym, Bellcore called its services and tariffing format switched multi-megabit data service (SMDS).

Donna Bastient, an ISS delegate from Bellcore, told the ISS that service packages that comply to SMDS will be used in trials later this year. A regular service will follow in 1991.

Two European equipment manufacturers, Siemens of West Germany, and Alcatel of France, have both developed Man products for the US market. The first European trial service using broadband Mans will be in Munich next year using products based on the US standard developed by Siemens.

It seems likely that other European phone operators will follow the Bundespost and offer SMDS-style services to woo lucrative corporate users away from private networks. British Telecom and Mercury Communications are committed to entering the market for broadband data services over Mans.

The European telecommunications standards body (ETSI) is currently studying the question of a service standard for European Mans. First indications from the ETSI work are that the European approach will differ from the US-style SMDS.

The European standardisation process can be a long-winded activity and public operators may not be prepared to wait for the outcome. US services and networking products will be available from next year so the likelihood is that European Mans will appear in the early 1990s with or without a European standard.

Richard Wilson

FT LAW REPORTS

Court extends Fosfa time-bar

COMDEL COMMODITIES LTD v SIPOREX TRADE SA
House of Lords (Lord Bridge of Harwich, Lord Emslie, Lord Brandon of Oakbrook, Lord Goff of Chieveley and Lord Jauncey of Tullichettle): June 7 1990

THE HIGH Court's statutory power to extend the agreed time in which to bring arbitration proceedings where undue hardship would otherwise be caused to the claimant, applies whether or not the arbitrators have a discretion to extend time, and is not restricted to cases where the limitation is absolute and immutable.

The House of Lords so held when dismissing an appeal by Siporex Trade SA from a Court of Appeal decision extending time for commencement of arbitration proceedings brought by Comdel Commodities Ltd.

Section 27 of the Arbitration Act 1950 provides: "Where the terms of an agreement to refer future disputes to arbitration provide that any claims . . . shall be barred unless . . . some . . . step to commence arbitration proceedings is taken within a time fixed by the agreement . . . the High Court, if it is of opinion that . . . undue hardship would otherwise be caused . . . may . . . extend the time . . ."

LORD BRIDGE said that by two contracts dated October 19 1984, Siporex agreed to sell and Comdel agreed to buy consignments of tallow and cottonseed oil c.& f. Alexandria, for delivery in January 1985.

Payment was to be by confirmed irrevocable transferable letter of credit to be opened by the end of the first week in December 1984. Comdel was to provide by October 22 1984 a performance bond for 10 per cent of the c.& f. value of the consignments, to remain in force until issue of the letter of credit.

Each contract incorporated a clause referring disputes to arbitration in accordance with the rules of the Federation of Oils, Seeds and Fats Associations (Fosfa). Comdel duly procured the issue of $1.88m performance bonds. It failed to procure confirming letters of credit in due time. Siporex recovered the amounts due under the performance bonds.

In 1985 Comdel instituted arbitration proceedings in which it sought unsuccessfully to establish that it was not in breach of contract in relation to the letters of credit.

In May 1986 it instituted fresh arbitration proceedings claiming restitution of amounts paid to Siporex under the performance bonds in excess of the damage, if any, resulting from its breach.

The disputed issues in the present appeal related to the 1986 arbitration.

Rule 2 of the Fosfa Rules laid down various time limits within which a party must give notice of his claim to arbitration. The relevant time limit under rule 2(b)(i)(3) was "not later than 120 consecutive days after the last day of the contractual delivery period".

That time limit expired on May 31 1985.

Rule 2(d) provided that "In the event of non-compliance with . . . this rule, claims shall be deemed to be waived and absolutely barred unless the arbitrators, umpire or Board of Appeal . . . shall at their absolute discretion, otherwise determine".

On Comdel's application for extension of time under that rule the arbitrators disagreed. The umpire and, in turn, the Board of Appeal, refused to exercise their discretion to allow the 1986 arbitration to proceed out of time.

Comdel applied to the High Court under section 27 of the Arbitration Act 1950 for extension of time.

Mr Justice Steyn held he had no jurisdiction under the section but that if he had, he would not have exercised the discretion in Comdel's favour.

The Court of Appeal reversed the judge on both points and granted an extension. Siporex now appealed.

Section 27 provided that where an arbitration agreement provided for claims to be barred unless brought within a fixed time "the High Court, if it is of opinion that . . . undue hardship would otherwise be caused, may . . . extend the time for such period as it thinks proper".

The question was whether section 27 applied whenever an arbitration agreement prescribed a time limit for commencement of arbitration proceedings notwithstanding that the agreement also enabled the arbitrator to extend time, or whether it applied only where, under the terms of the agreement, the time limit was absolute and immutable.

The language of section 27, given its natural and ordinary meaning, was apt to apply both to the situation where an arbitration agreement imposed an absolute and immutable time bar, and to the situation where the agreement imposed a time bar but gave the arbitrators a discretion to grant dispensation. A bar was not the less a bar because there was a possibility of having it removed. A time limit was not the less a time limit because a discretion was given to extend it.

Section 27 re-enacted section 16(6) of the 1934 Arbitration Act which followed on the MacKinnon Report on the law of arbitration *(1927)(Cmnd 2817)*. Mr Justice Steyn relied largely on the MacKinnon Report in reaching the conclusion that he should accept Siporex's construction of section 27. It was the cornerstone of counsel's argument in support of the appeal.

The Report referred to the hardship that might be imposed on a party who had unwittingly agreed that arbitration should be put forward within a limited time or be conclusively barred (paragraph 34).

It suggested consideration of whether provision should be made for either party to apply to a judge for an order that an agreed time provision should be enlarged and "that a judge, if satisfied that . . . the time limit provided created an unreasonable hardship, shall have power to order that the contract be varied by enlarging the time" (paragraph 35).

A report of that kind was invaluable as an aid to construction. But it was one thing to use it to resolve a real ambiguity in the statutory language, and quite another to use it to cut down the meaning of language Parliament had used in implementing the report's recommendation when the ordinary meaning of that language was plain.

Counsel for Siporex submitted that the only mischief identified by the report was the hardship suffered by a party to arbitration who could get no relief when his claim was conclusively barred by immutable time limit, and that the section implementing the report's recommendation must be construed as limited to providing a remedy for that mischief. To apply it to the relief of any other mischief, he submitted, would be to go beyond any intention Parliament could have had when the section was originally enacted.

The argument was not accepted. If the language of an enactment was wide enough to extend to novel circumstances there was no reason why it should not apply.

In any event, the argument adopted too narrow a view of the mischief which could be identified as the target of section 16(6) of the 1934 Act.

The mischief it set out to remedy was the undue hardship suffered by a party who was deprived of the opportunity to pursue a contractual claim by operation of a time limit in circumstances in which he ought reasonably be excused for failure to comply.

Although such hardship was more likely to arise when the arbitrator had no discretion to extend time, one could not exclude the possibility that it might also result even though he had discretion to extend time.

In either of those situations the intention expressed by the language of the section was that it was for the High Court to consider whether in the circumstances undue hardship would be caused if the claimant were defeated by the time bar. If it was of that opinion, the court was to have discretion to grant relief.

To adopt Siporex's construction of section 27 would defeat that intention.

The section should be read in its ordinary meaning as conferring jurisdiction on the High Court to extend time whenever an arbitration agreement imposed a time limit for commencement of proceedings, whether or not discretion to extend time was conferred on the arbitrator.

The Court of Appeal exercised its discretion to grant extension of time. It addressed all the questions required to be considered (see *Aspen Trader [1981] 1 Lloyd's Rep 273,279*). It concluded that Comdel would suffer undue hardship if an extension of time were refused. No fault could be found with its exercise of discretion.

The appeal was dismissed.

Their Lordships agreed.

For Siporex: Nicholas Legh-Jones QC and Christopher Hancock (Clifford Chance)
For Comdel: Richard Aikens QC and Catherine Otton-Goulder (Norton Rose)

Rachel Davies
Barrister

ARTS

Goehr's Triptych

ALDEBURGH FESTIVAL

Stagings of the three music-theatre pieces that Alexander Goehr composed at the turn of the 1960s are as rare as performances of his instrumental and orchestral works, part of the absurd neglect of his music in the concert hall and on record. In consequence the *Triptych* remains hardly known to generations who have had ample opportunity to investigate the equivalent pieces of Goehr's contemporaries. Without it any picture of the rich upwelling outburst of music theatre in Britain in the late 1960s is imperfect, for just as Maxwell Davies and Birtwistle remade the nebulous form to their own designs so did Goehr. None of the pieces – *Naboth's Vineyard* (1968), *Shadowplay* and *Sonata about Jerusalem* (both 1970) – lasts more than half an hour yet the dramatic world of each is utterly distinct, vivid, tightly focussed; the music includes some of the finest Goehr has written.

Goehr is in residence in Aldeburgh this year and the *Triptych* is an essential part of any worthwhile survey of his achievement. The productions by Lucy Bailey have been developed from a staging with RCM students seen in London two years ago on which Max Loppert reported here. In tailoring it for the Maltings Bailey has further refined and sharpened her work but the three pieces still share a unified approach (designs by Emlyn Hill).

The cuboid framework that serves as Naboth's vineyard first becomes the cave in which the unnamed prisoner of *Shadowplay* is incarcerated, and then the houses on which the Jews await the advent of a new Messiah in *Sonata*. There is perhaps less Noh-like stylisation in this version of *Naboth's Vineyard* than originally envisaged (no masks, just stark make-up), a more overtly operatic treatment of *Sonata*. But there is nothing extraneous; each piece is allowed to burn with dramatic fierceness, nothing gets in the way of Goehr's urgent vocal writing and wonderfully imagined textures. The indivisibility of music, text and gesture – the aspiration of every music-theatre piece – seems faultless, Goehr's paring-down of his resources to handfuls of instruments and singers precisely calculated.

The stagings were built upon the strongest of musical foundations. Richard Bernas and Music Projects/London defined each piece – the sharp contrasts of *Naboth's Vineyard*, yearning sensuousness of *Shadowplay*, archaic keenings of *Sonata* – with passionate precision; the singers were controlled and lucid. Richard Suart (as Naboth, and the Narrator in *Sonata*) Paul Wilson (Achab in *Naboth's Vineyard*, the Narrator in *Shadowplay*) were the mainstays, while Susan Bickley, Sarah Leonard and Michael Neill vividly contributed the smaller roles. Yoel Brightman was the young boy in *Sonata* and Mark Hopkins the Prisoner in *Shadowplay*, and it was he who gave the staging its most indelible visual image. As Hopkins climbed ever upwards into the light and Goehr's music became ever more radiant the images conspired to produce an intense, brilliant exhilaration, a very special fusion.

This production of the *Triptych* deserves the widest possible audience while the performances, and the works themselves, urgently need to be recorded.

Andrew Clements

Hedonistic celebration of the good life

William Packer reviews 'On Classic Ground' at the Tate Gallery

On Classic Ground is the Tate Gallery's major special exhibition for the summer (until September 2: sponsored by Reed International), the first on such a scale since the Nicholas Serota laid the emphasis so firmly on the permanent collections by his spectacular rehanging of them earlier in the year. Now it is again the turn of the particular curatorial exercise to claim its place at the heart of the Gallery's scheme of things, and quite right too.

Glossed in the subtitle as "Picasso, Leger, de Chirico and the New Classicism: 1910-1930," this is a large, intriguing and at times spectacular show that supposedly informs a certain aspect of the art of those countries of western Europe, France, Italy and Spain, that touch the Mediterranean. Covering in fact the first four decades of the century, it is full of the work of the acknowledged masters of the period, augmented by fine and significant works by artists too-long disregarded, or of national schools hitherto held to be less important than that of France. How interesting it is to see the old, assumed hegemony of the School of Paris broken at last, and for good.

The strength of the Italian school in that period has been amply demonstrated in recent years and is here confirmed. De Chirico may have been fully rehabilitated in his later work for some time, but the work of such artists as Carra, Oppi, Casorati, Morandi, Martini and, above all, Sironi is still exciting for its comparative freshness and unfamiliarity. As for the Spanish school, Sunyer, Marcolo, Andreu and de Togores show us that the likes of Gris, Miró and Dalí, to say nothing of Picasso, did not drop out of a clear blue sky.

Even with the major artists such as Matisse and Picasso, Braque, Bonnard and Maillol taken as individuals, the peculiar interest lies quite as much with less familiar or still surprising things – the landscapes of the very young Miró; an early and monumental girl by Dalí; the work of the mature, post-fauve Derain, who seems more complete a master with every show.

So far, so good, and often very good indeed: but do a few Mediterranean landscapes and still-lifes, some monumental nudes, portraits and figure compositions, dressed up here and there in obvious classical reference, really come together in a new order of Classicism? That title, that seems at first reading so concrete and unambiguous, grows ever more teasing and obscure. With Humpty Dumpty, we may take it all to mean "just what we choose it to mean – neither more nor less."

The danger lies only in taking such art-historical exercises too seriously, in seeing them as the cart rather than the horse. It is in the nature of the art-historian to propose a thesis and then try to sustain it, but for the rest of us it is sensible always to go to the work first, most especially in the case of so rich and variegated a bag as this. Only then is it reasonable to consider what is proposed, and only as one possibility of many.

A Classicism of one revived sort or another has been with us since the Renaissance. Whether the reference itself be literary, symbolic or technical, a function of intellect or sensibility, the Classical has always been taken to propose a sense of structure, order and formal control as against the more expressive and indulgent freedoms of the Romantic. But these terms are not mutually exclusive. We might usefully remember, to take only the great Venetians as a convenient example, the extent to which Giorgione, Titian and Veronese drew upon the Classical reference and model in making some of the most truly romantic and expressive works in the whole canon of art.

In Edinburgh this summer, in being shown precisely the nature and extent of Cézanne's debt to Poussin – developed upon his declared intention "to do Poussin again, but from Nature" – we shall confront directly this very contradiction. What this show, *On Classic Ground*, would seem to treat, though speculatively rather than definitively, is the way in which the generation or two after Cézanne, reacting against the cooler rigours of neo-Classicism on the one hand, and the later, more heated classical fantasies of the Salon and Academy painters on the other, followed him into this same area. The difference is that they followed him not so much in the direct scrutiny of nature as such, as in that freer, more personal and essentially imaginative response which characterised his own engagement in his great sequence of figure compositions, the Bathers.

The *Classic Ground* of the title proves to be more literal and local than one had thought, that same never-never-land of the romantic imagination which Poussin contemplated in his elegiac landscapes, and Cézanne in what might be Diana and her women bathing beneath the trees. And in the works of these 20th century frenchmen, spaniards and italians alike, the shepherds still pipe on the distant hillside, faint *laughter drifts among the trees*, Pan stalks, no doubt, through the olive groves, the dance goes on to the music of time: *et in Arcadia nos*.

This New Classicism is no disciplined reaffirmation of the structures of art, no modernist analysis of the forms and grammar of the plastic, no cubism and constructivism but only a hedonistic celebration of the Mediterranean littoral and the good life. The Nude, the Peasant, the Ideal Woman, Nature, the Land and its Fruits are the recurrent themes. Though here they are expressed only in the work of artists of France, Italy and Spain, the scope of such Classicism, if Classicism it truly is, embraces all those artists, of so many countries, whose spiritual home is in the South. It is the Classicism only of the Arcadian idyll and the sad dream of a lost and golden world. There is nothing New about it.

Detail from 'Woman with a Pheasant,' 1926, by the French artist Jean Metzinger

American Choreographers

OPERA GARNIER, PARIS

The new ballet programme at the Palais Garnier poses serious problems for the Opéra's dancers. The choreography is all American: Merce Cunningham's *Points in Space*; Paul Taylor's *Speaking in Tongues*; Mark Morris's *Ein Herz*, especially made for the occasion. And it is the very American-ness of the material, the disparity between French and American experience and attitudes to movement, that causes the trouble.

It can be said at once that the Opéra's dancers look very fine in the Cunningham piece. Their lean, unflustered line and responsiveness to changes of tempo and adjustments of weight in poses – those shifts of energy that plump out a simple action with extreme muscular interest – give the choreography its proper sophistication. *Points in Space* was first conceived for BBC TV and memorably shown here in 1986, then edited and amended for live performance. Its actions now spread beautifully over the Opéra stage: its title is owed to Einstein's statement that there are no fixed points in space, and the eye follows rich and varied incident as the present cast (led magnificently by Marie-Claude Pietragalla and the great Jean Guizerix) involve themselves ever more intensely in the choreography's exchanges of ideas, movement reverberating, dispersing, renewing itself.

The Opéra dancers are wholly at ease here in their response to Cunningham's nuances, their natural style quick, elegant, subtle. The nation that produced Descartes should always dance like this. The only disappointment to the piece is the burble and whispers of the John Cage accompaniment, which sounds like an obscene phone-call from the world's worst stutterer. And on a bad line.

All the virtues seen with Cunningham are missing from *Speaking in Tongues* in this programme. It is the oddest possible choice of a Taylor work for the Opéra, being concerned with those ultra-American matters of Bible-belt religiosity and small-town morality. Everything in it is alien to the dancers' experience, and they look lost, although earnestly seeking their roles. Unusually for Taylor, the piece is vastly too long at 55 minutes, and its drama – having to do with sexual and religious hypocrisy – evaporate in the expanses of the Salle Garnier.

When Taylor's company brought it to London, the confines of Sadler's Wells, and Elie Chaib's brute force as the preacher, gave the piece a focus it nowhere finds in its present cavernous setting, or in the well-danced but unconvinced reading of Wilfried Romoli. The fervours of Middle West evangelism, and the fervent weight needed for the dance, are missing; the choreography looks merely unlikely and tedious, for all the devotion of its cast.

Mark Morris's creation for the Opéra dancers is set to Bach's Easter cantata *Ein Herz, das seinen Jesum Lebend weiss*. It continues Morris's fascination with producing visualisations of the form and manner of baroque music, but it is also – and this seems to me the flaw in the work – concerned with the form and manner of French academic dancing. At its most fancily mannered. The movement sometimes looks as if Morris has indulged his corps de ballet, seeing in Europe's oldest dance company the heirs to a baroque tradition which has degenerated into frivolities of a style with mercurial speed but little physical nobility. Morris panders to dancers who had earlier been encouraged by Cunningham's rigours to display the great strength's of French schooling.

Thus Morris's chorus of men are fly-weights, tossing off technical difficulties with a kind of saucy ease. It may be that Morris was fascinated by the quick physical responses of French artists, and decided to give them their heads; the effect is to make the choreography – which is also shared among three main couples, who incarnate the music of Bach's recitatives in calm academic duets, and a group of women soloists – seem less than serious.

Matters are in no way helped, and the dancers' credibility is everywhere sabotaged, by desperate costuming. Martin Pakledinaz has designed outfits which nod distantly at eighteenth century stage dress. The male *corps* are given what look like bandaged bathing costumes; these, worn with bare legs, make them seem ready for a prudish plage. The female *corps* boast dowdily draped skirts in steel blue, and rust-coloured shoes, and they have been encouraged to dress their hair as they wish. The intended effect may have been to echo the up-dated historicism of the dance: the result is muddled, distracting.

Of course, Morris's creative wit,his felicitous musical understanding, mean that the dance is shapely. Yet *Ein Herz* did not, after one viewing, touch me by touching the music's heart, as other Morris works have. The cast was led by Françoise Legrée and Olivier Patey; they and their colleagues displayed exquisite tact in what they did, but there is surely more to Bach – and to Morris – than that.

Clement Crisp

A Safe Place?

QUEEN ELIZABETH HALL

Stephen Endelman's impeccably green new opera for young people was given its first performance at the QEH on Saturday, sponsored by the Bankers Trust Company and supported by Hackney Council, GLA and South Bank Centre Education; it runs from tonight until Friday at the Broadgate Arena in the City, and for three days next week at the Hackney Empire.

The action, based on fact, tells of a school built on ground polluted by chemical waste, of the unexplained death of one of the black pupils, of an attempted cover-up, and the final triumph of truth thanks in part to children's action. Goodies and baddies are clearly signalled. The villain is the proprietor of the chemical factory, chairman of the school governors, a married man who is having an affair with the headmistress and – horror of horrors – smokes cigarettes.

Apart from the children, goodies include Mrs Wu (the school's cleaning lady), a reporter (phew!) and, eventually, the headmistress.

Endelman's score might – if one were feeling uncharitable – be described as recycled, like the paper on which the programme is printed; Brittenesque arioso, wrong-note *West Side Story*, vaguely Menotti-nous lyricism, even a stab at the wholesome style of TV soft-drink commercials. All are sort-of welded together into a not quite personal language that tests the young performers (tricksy bar-lengths) without rewarding them quite enough.

There are two big problems. First, evenness of dramatic pace: whenever one glanced at Endelman-as-conductor, he seemed to be beating the same 4/4 moderato, and even with two acts of under an hour each, that is dangerous. Secondly, balance: his ten-piece band, placed to one side and slightly in front of the stage, consistently drowned the voices in both set number and *mélodrame*, whether or not they were amplified – and the amplification came and went with alarming irregularity. Add poor diction from adult members of the cast (I heard scarcely a word from either the headmistress or Mrs Wu the whole evening) and it was difficult to follow the plot.

This is perhaps tolerable for oldies, though I was cross at not being able to hear how the children saved Mrs Wu's Guardian Dragons, but it is asking altogether too much of young listeners. I should hate them to grow up thinking that opera is just *vocalise*.

A conductor more resourceful (and less proprietary) than Endelman could have sorted this out, just as someone from outside to replace Endelman-as-producer might have eliminated some embarrassing hiatuses when action and music parted company and galvanised the talented young cast into delivering something rather more professional.

They were certainly capable of it, especially Michael Williams as the victim (good pop-tenor tone, every word audible *and* a fine saxophone player), and Michelle Gore and James Stewart as his friends. The huge chorus sang lustily, but was there no one to teach a few consonants into them? All the amplification in the world is no substitute.

The adults were led by the mezzo soprano Jenny Sharpe (Headmistress) and Der-Shin Hwang (Mrs Wu), velvety of tone but similarly consonant-less, and by the soprano Darcia Parada as the Reporter, who communicated more clearly, as befits her trade.

Ian Crowe (Chairman of the Governors) didn't get to sing at all – he was that villainous – but at least one heard him.

Rodney Milnes

Kát'a Kabanová

GLYNDEBOURNE

Janáček's *Kát'a Kabanová* returned to Glyndebourne in the much admired production of Nikolaus Lehnhoff with as before Andrew Davis conducting. The reception on Sunday was properly clamorous – it was a nice change to hear producer and designer being cheered as well as conductor and singers.

The Kát'a of Nancy Gustafson remains a sterling performance conceived and put over with an intelligence and emotional force approaching Silja's Kostelnicka in *Jenufa* last year, but without (as yet) Silja's unique economy of movement. Still, what Gustafson gives is a good deal more moving and illuminating than the watery sketch of female frailty sometimes offered in this role.

Kát'a's foster-sister Varvara is once again the excellent Louise Winter, well paired with John Graham-Hall's keenly observed portrait of Varvara's lover Kudrjaš. The other youngish men, Ryland Davies as Kát'a's feeble husband Tichon and Kim Begley (new to the cast) as her bewildered lover Boris, like Graham-Hall give remarkable studies of male insufficiency betrayed by uncertain, shy movements (Boris's shyness doesn't prevent Begley's voice from ringing out strongly).

Felicity Palmer's Kabanicha is the more powerful for not being a crumbling ruin but a still physically active woman, sharply-projected, horrible Dikoj of Donald Adams is a fitting companion to her.

The the designs by Tobias Hoheisel – strong shapes against livid expressionist colours, with striking use of black in silhouette, even the hats proclaiming fiercely buttoned-up respectability – will surely remain for many of us the definitive *Kát'a Kabanová*.

What a long way we have come from the pale Chekhov of the worthy but visually lowering first English *Kát'a* at Sadler's Wells after the war and still more from the wartime *Bartered Bride* from that same company and the first *Jenufa* at Covent Garden – both of these with pretty folk costumes as though life in Czech villages was perpetual public holiday.

A word about the London Philharmonic's excoriatingly vital playing. As in his other mature operas the orchestral sound sometimes suggests clattering agricultural implements and aggressive ones at that. Andrew Davis has remarked that pages in this score that look loud "seldom turn out to be so." It is true that the voice parts do come through to a surprising extent (more so as Davis notes than with Strauss), but most of the singing is also unremittingly loud. Some of Kát'a's reflective phrases and Kudrjaš's folksong are exceptions.

Eccentric Janáček may have been but he had great practical sense. The concision of this score is one of its great virtues. A few minutes more on any of the scenes and the aural and emotional pressure might have become difficult to bear.

Ronald Crichton

ARTS GUIDE

June 8-14

OPERA AND BALLET

London

Royal Opera, Covent Garden. The new production by Bill Bryden of Janacek's *Cunning Little Vixen* is conducted by Simon Rattle. Latest round of the company's much-revived *La Bohème* production by John Copley: Antonio Pappano (house debut) conducts.

Kirov Ballet continues a season at the Coliseum with *Swan Lake* (Mon-Wed).

Royal Ballet at Covent Garden presents *Romeo and Juliet* (Tues).

Northern Ballet Theatre at Sadler's Wells has a decent staging of *Giselle* (Tues, Wed).

English National Opera, Coliseum. No performances until August.

Paris

Opéra. Taylor, Cunningham, Morris bring questions of psychology, of perception and of provocation to the Paris stage (47425371).

Théâtre de la Ville. Dominique Bagouet is followed by Josef Nadj and the JEL Theatre with *Death of the Emperor* (42742277).

Brussels

Palais des Congres. Maxxygmunt Orchestra and the Louvain-la-Neuve chorus in *Don Giovanni* conducted by Philippe Mercier, staged by Ronny Lauwers.

Théâtre Royal de la Monnaie. The Monnaie Opera in *Der Rosenkavalier*, conducted by Emil Tchakarov, staged by Gilbert Deflo.

Théâtre Royal du Parc. Transparant Chamber Opera in two short operas, *L'Oca del Cairo* and *Lo Sposo Deluso* by Mozart, conducted by Hans Rotman and staged by Eddy Habbema.

Palais des Beaux-Arts. The Brussels Gilbert and Sullivan Society in *Iolanthe* conducted by Stephen Collins.

Berlin

Opera. Andreas Schmidt Lieder recital, accompanied by Rudolf Janssen in an all Schumann programme. *Tosca* has a strong cast led by Pilar Lorengar, Giorgio Merighi and Ingvar Wixell. Also in repertory: a ballet evening with three pieces, choreographed by Maurice Béjart, *Rigoletto* in Hans Neuenfels' production. Also a Ruthild Engert Lieder recital and *Der Barbier von Sevilla*.

Hamburg

Opera. The Brecht/Weill opera *Aufstieg und Fall der Stadt Mahagonny* produced by Guenter Kraemer has its premiere this week, conducted by Bruno Weil.

Frankfurt

Opera. *Rusalka* has fine performances by Clarry Bartha, Eva Randova, Kristine Ciesinski and Allan Glassman. *Ariadne auf Naxos* has Helena Doese, brilliant in the title role, and Kimberley Barber outstanding as the Composer. The successful *Clemenza di Tito* production, by the Lievi brothers returns. Further offered, Gluck's *Iphigenie en Tauride* and *Il Barbiere di Siviglia*.

Cologne

Opera. *Die Hochzeit des Figaro* features Ashley Putnam, Jake Gardner, Teresa Ringholz and Alessandro Corbelli.

Bonn

Opera. *Macbeth* is sung by John Rawnsley, Elisabeth Connell and Francesco Ellero d'Artegna. Last performance of the Youris Vamos ballet *Coppelia*. *Das Rheingold* stars Wagner specialists Siegmund Nimsgern, Graham Clark, Manfred Schenk and Hanna Schwarz. Also, a lively *Barbier von Sevilla* production.

Munich

Opera. Strauss' rarely played *Die Liebe der Danae* has a strong cast led by Sabine Hass, Andrea Trauboth and Paul Frey. *Der Widerspenstigen Zähmung* has wonderful John Cranko choreography. *Nabucco* stars Julia Varady, Wolfgang Brendel and Paata Burchuladze. Further performances of *Mose* and a mixed ballet programme.

Stuttgart

Opera. This week includes three operas by Philip Glass, *Einstein on the Beach*, *Satyagraha* and *Achnaton*. The latter, composed for the Stuttgart Opera, is a deliberate break from the American tradition, not only in its choice of young Egyptian Pharaoh as main figure, but also in the corresponding use of African and Asian musical forms. Also *Falstaff*.

Rome

Teatro Valle. As a prelude to the summer season at Terme di Caracalla, and in honour of the World Cup, the Teatro dell'Opera offers three performances of Paisiello's *Don Chisciotte* in Pino Micol's production with sets and costumes by Ugo Nespolo, conducted by Gail Gilgor (654 3794).

Florence

Maggio Musicale: Teatro Comunale. Luciano Pavarotti sings Manrico in Giuliano Montaldo's traditional production of Verdi's *Il Trovatore*, conducted by Zubin Mehta. (2779236).

Teatro Verdi. Promising event of this year's Maggio is British director Graham Vick's new production of the Brecht/Weill opera (sung in German with Italian surtitles) *Ascesa e Rovina della Città di Mahagonny*, with Luciano Berio as co-ordinator of the project, and Jan Latham Koenig conducting. (2779236).

Venice

Teatro la Fenice. Wagner's *Lohengrin*, designed and produced by Pier Luigi Pizzi, with Francisco Araiza, Ana Pusar, Wolfgang Probst and Gudrun Volkert, conducted by Christian Thielemann. (5210161).

Turin

Teatro Regio. Gianfranco Bosio's production of *Aida*, conducted by Maurizio Arena. (8815241).

Washington

Hubbard Street Dance Company. Chicago's popular jazz-influenced troupe arrives with repertory numbers *Read My Lips, The 40s* and *Shakti*. Kennedy Center Eisenhower Theatre (467 4600).

New York

American Ballet Theatre. The 50th anniversary season includes this week Mikhail Baryshnikov's staging of *Giselle* as well as an All Twyla Tharp evening. Season ends June 30. Opera House at Lincoln Center (362 6000).

New York City Ballet. With a repertory still heavily steeped in Balanchine, the company presently features a festival of Jerome Robbins's ballets. Season ends July 1. New York State Opera House, Lincoln Center (870 5570).

Tokyo

Nederlands Dance Theatre. *Stamping Ground, Arenal, Silent Cries, Six Dances* (Tues, Wed);

Shaker Loops, Falling Angels, Soldiers Mass (Thur). Bunkamura (366 9999).

SALEROOM

Surprise from eight beauties

A rare anarchic bronze square baluster vessel and cover, produced in China during the Warring States period, 480-221 BC, sold for £132,000 at Christie's yesterday, below its estimate. It was a fangi-i, a vessel of unknown usage, but probably a container for grain, or perhaps wine. The morning session of Chinese ceramics brought in £891,385, with 22 per cent unsold.

A success was a marble head, probably depicting Kasyapa, of the Liao Dynasty, which went for £77,000, over double the high forecast. In the afternoon session a Ming wood figure of a dignitary also more than doubled its estimate at £74,800, while two surprises were a silk painting of eight beauties, dated 1796, which went for £45,100 as against a high estimate of £8,000 and a Ming carved red lacquer dish of the 16th century, estimate £3,500 and price, £38,000.

Christie's spent a busy day in New York on Saturday disposing of decorative works of art for \$7.38m (£4.36m), with around 25 per cent unsold. There was a sprinkling of auction records, including the \$176,000 (£104,100) paid for a Chiparus figure, of Semiramis, Queen of the Assyrians, in a dancing mood. "Lampe au Hibou," a double overlaid lamp, 34 inches high, made by Daum around 1903 and decorated with an owl, sold to a Japanese buyer for \$880,000, within estimate.

A copy of William Blake's "Songs of Innocence" of 1797 one of three with Blake's first thoughts on the decoration of the plates, in his own hand, sold for \$550,000 (£325,444) at Christie's, above estimate. In 1943 it sold for \$3,300.

Sotheby's sporting picture sale in New York brought in \$6.3m (£3.7m) but with 30 per cent unsold. A Stubbs portrait of "Protector," a horse which won lots of races at Newmarket in the 1770s, sold at the top of its estimate for \$1.2m (£720,000). A much later English painter of horses, Sir Alfred Munnings, remains popular in the US and a portrait of Sir Gordon Richards on Lord Astor's "High Stakes," painted in 1951, was within forecast at \$825,000 (£491,000). From the 19th century a portrait of a pair of racehorses by John Frederick Herring Snr, "Industry" and "Caroline Elvina" was at the bottom of its estimate at \$407,000 (£242,261).

Guy Loudmer in Paris had a depressing weekend auction of contemporary and abstract art. It brought in over Fr 36m (around £3m) but was two thirds unsold by value. "Tête otage" by Jean Fautrier made Ff 1.66m (around \$1.4m.) well below forecast.

Antony Thorncroft

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Beyond Meech Lake

CANADA has muddled through its latest constitutional crisis, mostly by tolerance and compromise. But it has not seen the end of its national problems by a long chalk.

The weekend agreement between provincial premiers salvages the Meech Lake accord, which will finally bring francophone Quebec into the constitutional fold. Quebec refused to endorse the 1982 constitution, because it felt the document did not allow it to protect its language and culture. Meech Lake was designed to meet these concerns.

At the same time, the worries of smaller provinces have also been eased, and ratification by June 23 seems assured. A commission will examine how to transform the Senate into a more powerful, elected body. Currently, this body is weighted in favour of Quebec and Ontario. In the interim, three of the largest provinces, including these two, have agreed to transfer 10 of their Senate seats to other provinces if no agreement on reform is reached by mid-1995.

It says much for the fortitude of Mr Brian Mulroney, the Prime Minister, that he was able to sustain the six day debate without losing any of the participants. His position in the Progressive Conservative Party has been boosted.

But Mr Mulroney still languishes in the opinion polls. Many Canadians blame him for having created the whole mess in the first place through his desire to court public opinion in Quebec, traditionally a Liberal stronghold.

Testing unity

Federal Liberals contributed little to the negotiations. But two leading provincial Liberals emerged with their status considerably enhanced. Mr David Peterson, premier of Ontario, as the architect of the interim Senate plan, showed himself willing to sacrifice the narrow interests of the largest province in the interests of national compromise. Mr Robert Bourassa of Quebec has got everything he wanted, with the recognition of Quebec as a "distinct society." Provincial separatists have thus been undercut.

But securing Quebec in Canada is only part of national security. The agreement will further fragment Ottawa's influence by giving power to the provinces at the expense of the federal government. Regional economic integration with the United States and eventually Mexico will reduce the importance of national boundaries. Linguistic and ethnic diversity will continue to test Canadian unity.

Loosening ties

In Europe, the weakening of national states is forcing greater international integration; in Canada, it appears to loosen the ties that bind the country together. It also raises the spectre of incorporation into the US, a Canadian nightmare.

Canada is a country with many resources, not least imagination, as last week's compromise demonstrated. There is no reason why social and economic changes need force the end of a liberal and tolerant nation, if this imagination is exercised. Having survived Meech Lake, Mr Mulroney should now think about how best to underpin Canada's status as a healthy, independent nation in an interdependent world.

First, he should do something about the country's interprovincial trade barriers, which undercut the benefits of economic integration with the US, reinforce the country's regional divisions and slow the development of regional markets. Second, Canada should be more outward looking. It is already an active and valued member of various international organisations. But it is pre-disposed to navel gazing, and has become very self-obsessed over Meech Lake. Foreign and trade policy has become too heavily centred on the US, as has commerce.

Ottawa should strengthen its links with the rest of the world, complementing and counterbalancing its links to Washington. A good starting point would be to renegotiate the moribund 1976 co-operation agreement with the EC on terms that recognise the changing nature of Europe, Canada's stake in trans-Atlantic relations, and the value that Europe puts on a good neighbour.

Showing bankers the door

THE fragility of the banking system is a natural cause for concern at the moment given the heavy exposure of banks to problem areas like the real estate market. The natural instinct of the authorities in such situations is to exert an even closer supervisory watch for fear of the widespread damage that even a single bank failure can cause.

Yet well-intentioned though this instinct may be, it may only be compounding the problem. Many of the difficulties now faced by banks can be traced directly to the effects of excessive competition in the banking market, and this in turn is caused to some extent by excessive regulation. There are too many banks chasing too little business, and too many of them are yielding to the temptation to take on greater risks in order to preserve their profits.

There is therefore a case for arguing that the authorities should take a less rather than more protective view of the institutions in their charge, and be more willing to allow banks to fail, provided this can be done in an orderly manner. That way the fundamental risks inherent in an over-competitive banking system might be reduced through the process of attrition which governs the size of less heavily regulated industries.

That banking supervisors are thinking tentatively along these lines can be gleaned from a remark by Mr Huib Muller, the Dutch central banker who heads the Basle-based committee of international bank supervisors. He told the International Monetary Conference in San Francisco last week: "There is a danger that we as supervisors will be so 'successful' in keeping you all in business that the competitive pressures erode margins to the point that your income is no longer sufficient to compensate for the risks you are taking on."

Fresh dangers

It is certainly one of the paradoxes of recent regulatory developments that the tougher rules which were introduced by Mr Muller's committee in reaction to the excesses of the 1980s have created fresh dangers of their own. But what is the way out of the paradox? Some people may simply point to the savings and loan crisis in the US as an example of involuntary capacity reduction on a grand scale. But that is a specialised market where the departing institutions are doing little to reduce competitive pressures in the banking industry at large. A more orderly example is the steady consolidation of the banking industries in the smaller countries of Europe: Denmark, Norway, the Netherlands, Switzerland where mergers are reducing bank numbers. But here too the overall benefits may not be that great because bank mergers seldom lead to a reduction in banking capacity.

Leaving the system

What is needed is a well-organised procedure for institutions to exit the banking business without setting off the tremors that always accompany the demise of a bank. This is, admittedly, not easy because assets have to be transferred and deposits unwound. But it is precisely these sorts of technicalities which bind institutions to the banking business when they might be happier and healthier in a different segment of the financial services market - or quietly laid to rest.

The judgment as to which banks deserve to fail should ideally be made by the market: the depositors and shareholders. But there may also be cases where the regulators themselves will have to decide that a bank has reached the point where it must be put down rather than propped up with yet more regulatory struts. There are two alternatives, and both are likely to be unacceptable.

One would be a more laisser faire approach by supervisors in which the rigours of the marketplace would be allowed to take their toll more readily on weak banks, with all the attendant crises. The other is a continuation of the present process leading to the impasse which Mr Muller described. The aim should be to allow the market to determine more efficiently the optimum capacity of the banking industry, and it should be the task of the supervisors to permit these forces to have orderly play.

FOREIGN AFFAIRS

Springtime for Euro-institutions

The emergence of truly pan-European groupings reflects the new order in the continent, writes Edward Mortimer

Many people have compared last year's events in east-central Europe to 1848, "the springtime of the nations". Now comes a surprising sequel: the springtime of the institutions, as politicians and diplomats struggle to give shape to the new European order. The air crackles with speeches from presidents, prime ministers and foreign ministers suggesting new institutions – "confederation", "European security commission", "council of greater Europe" – all of which have essentially the same purpose: to link the two halves of Europe formerly severed by the iron curtain, and to prevent the reborn nations from destroying each other and themselves as they did not only after 1848 but again and far more devastatingly after their second springtime, in 1918-19.

So far one new institution has actually been born, with all the pain, mess and mutual recrimination that so often attends births: the European Bank for Reconstruction and Development. But other and grander ones are on their way.

Spring may be a time of birth, but it is above all a time of reawakening. The new nations of 1848 and 1918 believed they were old nations asserting their ancient rights. The new democracies of today are busily reviving pre-war traditions, suppressed during 40 years of communism. And likewise, the springtime of the institutions is not just a time for imagining new ones, but also a time for old ones, some long ignored or even presumed dead, to stir in their sleep, shake themselves and emerge blinking into the sunlight, looking for a new role.

Last weekend in Stockholm I attended the annual conference of the Institute for East-West Security Studies, itself an institution whose role might be supposed to have ended with the Cold War, but which, in fact, has thrown itself with great verve into "managing the transition"; the transition, that is, not only from the military and diplomatic arrangements of Cold War to those of a peaceful European order but also (generally considered a necessary condition of the former's success) from totalitarian socialism to democratic politics and market economics.

At that conference we heard the secretaries-general of two longstanding but relatively little-known European institutions, Mrs Catherine Lalumiere of the Council of Europe and Mr Willem Van Eekelen of the Western European Union (WEU), sketch out a European future in which each saw their own institution playing a central role. Both could be accused of overegging the pudding. Yet both these institutions do have real merits in the new situation, and are being looked at more seriously by people outside their own bureaucracies.

The Strasbourg-based Council of Europe, founded in 1949, has always been a club of European democracies. It concentrates on human rights, cultural activities and various forms of practical co-operation, while carefully eschewing anything military, geopolitical or macroeconomic. Neutral countries and Nato members have rubbed shoulders in it without awkwardness. Governments that violate human rights, as defined by the European Convention, can be prosecuted in the European Court of Human Rights (an organ of the Council, not to be confused with the European Court of Justice, in Luxembourg, which is an organ of the European Community). And those that renege on democracy, like Greece in 1967-74, can be forced out.

Most central and east European countries have begun taking part in various Council of Europe activities during the past 12 months, and have now applied for full membership. Hungary is first in the queue and should be admitted by the end of the year. Full membership will be both a highly prized certificate of acceptance as a fully-fledged democracy, and a valuable safeguard against subsequent backsliding.

In short the Council of Europe is already quite close to becoming the "great alliance for democracy", guaranteeing political, legal and economic freedoms "from the Atlantic to the Urals and beyond", which Mrs Margaret Thatcher suggested in March. But she wants to assign those functions, along with political consultation, crisis management, conciliation of disputes, and further arms control negotiations, to the 35-nation Conference on Security and Co-operation in Europe (CSCE) – commonly referred to as "the Helsinki Process" because the original CSCE was held in Helsinki and culminated in the Helsinki Final Act of 1975.

Whenever diplomats in any part of the world are feeling unloved and doubtful about the value of their calling, they cheer themselves up with the tale of the Helsinki Process, one of the great diplomatic success stories of all time. The CSCE was originally a Soviet idea in the bad old days of Brezhnev, aimed at consolidating the post-war frontiers and legitimising, in effect, the Soviet domination of eastern Europe.

Although the West's natural instinct was to reject the proposal out of hand, clever western diplomats took hold of it and, through years of patient negotiation, used it to gain formal Soviet acceptance of three crucially important principles: full participation of the US and Canada in meetings and joint activities of European states; free circulation of ideas and persons as part of normal interstate relations; and the legitimate interest of states in each other's observance of mutually agreed standards, notably in the field of human rights. All this the West got in return not (as is sometimes supposed) for declaring present frontiers immutable, but simply for declaring that they should not be changed by violence.

Even so, Helsinki was much attacked in the early Reagan period as a typical product of detente and of diplomatic self-delusion, since so many of its provisions continued to be violated in Soviet and east European practice. Yet over time, through a series of "review" or follow-up conferences, it has proved invaluable as a reference point for both external and internal critics of the communist system, and as a framework for various types of arms control negotiations including the current ones on conventional forces in Europe (CFE), which are held between Nato and the Warsaw Pact but under a CSCE mandate.

The air crackles with speeches from presidents and prime ministers suggesting new institutions designed to link the two halves of Europe formerly severed by the iron curtain

The great merit of CSCE is that it involves, on an equal footing, the US, Canada and all European states, whatever definition of Europe one uses. (The single exception, Albania, announced its desire to join last week.) It is the natural framework for any further negotiations on conventional arms reductions, and for the highly complex monitoring arrangements that will be carried out under the CFE agreement currently being negotiated. It is the obvious starting point if one wants, unlike Mrs Thatcher or President George Bush but like President Mikhail Gorbachev and the German Social Democrats, to build a new pan-European security organisation destined eventually to replace Nato and the Warsaw Pact. But so it is for the various halfway houses now being devised, by the US State Department among others, to make it easier for Mr Gorbachev to accept the inclusion of a united Germany in Nato.

Of all the institutional blossoms now on view, none is more luxuriantly vigorous than the CSCE. Part of its attraction to inventive diplomats lies precisely in the fact that it is not yet an institution, only a "process". "Institutionalisation of the CSCE", a phrase unpronounceable by normal human beings after even one glass of champagne, is none the less the current toast of the diplomatic cocktail circuit.

While CSCE's merit is its inclusiveness, WEU's is the exact opposite. For whereas we are all keen to see democracy and arms control spread as wide as possible, when it comes to defence there is a lot to be said for working with a few close neighbours whom you really trust. WEU consists of nine out of the 11 countries which are members of both the EC and Nato. Admittedly one of them, France, does not take part in Nato's integrated command, but that in some people's eyes makes WEU all the more interesting – as a way of involving France in a slimmed down, post-Cold War west European defence structure, still linked to the US by a "more political" (i.e. less military) Nato but under a European commander.

As WEU's Mr Van Eekelen sees it, WEU should be the hard core of the "political union" which the members of the EC are now planning to create, comprising those members who are ready to go the whole hog and set up a common military structure. If and when all EC members are ready to go that far, the two organisations would merge. This would be the inner of a series of concentric circles. Next, going outwards, would be the "European Economic Space" (EES), to be formed by the EC and the European Free Trade Association (Efta), whose members are able and eager to be part of the single market but inhibited, by neutrality or other national peculiarity, from accepting all the political constraints and responsibilities of EC membership.

Beyond that again would come the Council of Europe, bringing in those countries that qualify as democracies but will not for some time be strong enough economically to form part of the EES. Mr Van Eekelen assumes that Czechoslovakia, Hungary and Poland at least, among central European countries, would come into this category, but both he and Mrs Lalumiere are less confident than Mrs Thatcher seems to be about democracy in the Soviet Union itself. So for them the CSCE would remain the outermost circle, associating the Russians with Europe (on a similar if not identical footing to the US and Canada) but not quite including them in it.

An obvious objection to this concentric pattern is that the states outside each circle are liable to resent being held at arm's length by those inside. One way to palliate this is to insist that the pattern be viewed as dynamic rather than static, with each circle being willing in principle to spread outwards and embrace any state from the next circle that is ready to assume the full constraints and responsibilities of membership. Another is to have intersecting circles as well as concentric ones.

Nato is obviously one such, including all but one of present EC members plus two Efta members (Iceland and Norway), one other Council of Europe member (Turkey) and two more CSCE members (Canada, US). Mr Gorbachev, if only for symmetry's sake, would clearly like the Warsaw Pact to be another. There too is an institution which, though widely believed dead, last week gave a twitch of apparent life.

Its heads of government, foreign and defence ministers met in Moscow and agreed to set up a working group to study ways of transforming it from a military alliance into something like a non-aggression pact. It is far from certain, but just possible, that Czechoslovakia and Hungary will agree to stay in the Pact on those terms. They might do so if it is seen to be an essential building block for a new European security order which would link them to West as well as East, or if it becomes so patently toothless that dual membership of it and Nato is possible. Dual membership is precisely the status which Mr Gorbachev and his Foreign Minister Mr Eduard Shevardnadze have been desperately canvassing for the united Germany, to a so far sceptical western audience.

Behind all these plans lurks a crucial ambivalence. One of their objectives is to integrate the Soviet Union as far as possible into the world economy and the new European order, both of which will be run according to what Mr Gorbachev calls "universal human values", being essentially the values of liberal democracy and market economics hitherto championed by the West. Yet no one is sure how far that is going to be possible or indeed what sort of Soviet Union, if any, is going to survive. So the institutions cannot be such that they would leave the rest of us defenceless if events in the Soviet Union turn really nasty.

OBSERVER

British Days in Kiev

■ Booming English voices greeted residents entering the Hotel Kiev on Saturday evening as Kenneth Baker, the Tory Party chairman, and Sir Jeffrey Sterling, the chairman of P & O, prepared to accompany the Prime Minister to the opera.

They had flown in at lunchtime to support the British Days exhibition in Kiev. The problem vexing them was that neither had managed to get anything to eat to fortify them for the four hour performance of Xerxes by the English National Opera.

Mrs Baker came to their rescue by producing a Mars Bar from her handbag, which she duly split in half, to a chorus of laughter from the two men. Sterling declined, but Baker eagerly gobbled up his portion and declared to the entire foyer "Mars Bars in Kiev" as if he was in a Carry On movie.

The joke was lost on the old women cleaners, who had gathered in the foyer to catch a glimpse of Mrs Tetcher — as the Ukrainians call her. They looked on in bewilderment.

Confident

■ Mrs Thatcher was her usual energetic self, leading the Prime Minister of the Ukraine around the British industry exhibition. Where others might have been content merely to introduce the companies, the British leader was on a whistle stop selling mission, leaving her hosts in no doubt of the companies' merits.

She explained the quality of ICI's agro-chemicals, the sophistication of Case Communications' systems and Davy McKee's expertise in construction engineering.

The British businessmen seemed as shell shocked as the Ukrainians by her knowledge of the products. Indeed as she departed for the signing ceremony for a contract won by John Brown, the engineering construction group, she told Geoffrey Bray, chairman of the British – Soviet Chamber of Commerce: "You know, sometimes I think I am better at selling these companies than they are themselves."

Hair in place

■ The schedule on Saturday was alarmingly hectic. It started with an early breakfast with leaders of Moscow's Jewish community and ended at 11.50 pm after the Kiev opera: an impromptu speech to the Ukrainian Parliament was thrown in for good measure. However, the detailed Foreign Office schedule reveals she retains a sense of priority. At 5 pm it said that there would be just enough time for a cup of tea at the hotel and her regular hair appointment.

Praise of DTI

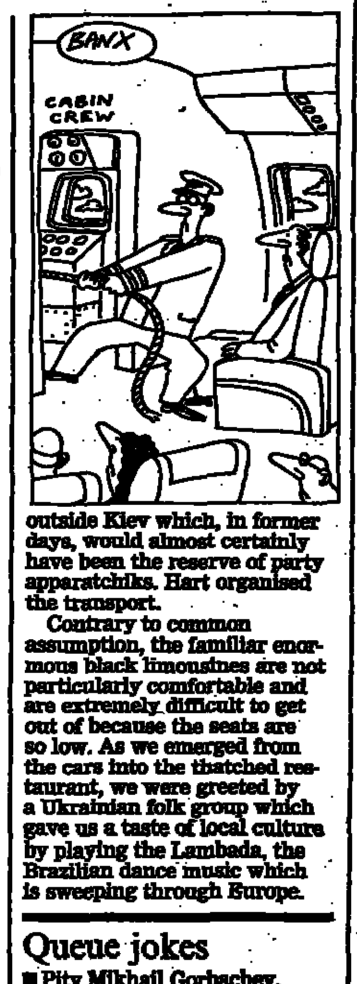
■ The British companies gathered in Kiev were almost unanimous in their praise for the work the Department of Trade and Industry and the Foreign Office had put into staging the exhibition.

The hall had been in a parlous state when the exhibition was first planned. The blackened glass which formed its roof had to be cleaned: the hall had to be painted and its elegant columns freed from the ugly plasterboard that clung to them.

The Brits installed mirrors, lights, carpets, stands and plants. The Kiev City council were so impressed that they have decided to buy it as a job lot to use as a permanent exhibition hall.

Lambada

■ ICI's operations in the Soviet Union are run with remarkable efficiency by Roger Hart. On Saturday we were invited to a meal with ICI's Soviet staff at a restaurant in the woods outside Kiev which, in former days, would almost certainly have been the reserve of party apparatchiks. Hart organised the transport.



Contrary to common assumption, the familiar enormous black limousines are not particularly comfortable and are extremely difficult to get out of because the seats are so low. As we emerged from the cars into the thatched restaurant, we were greeted by a Ukrainian folk group which gave us a taste of local culture by playing the Lambada, the Brazilian dance music which is sweeping through Europe.

Queue jokes

■ Pity Mikhail Gorbachev. Jokes at his expense were always common, but they are becoming more cruel. A Muscovite enraged by still having to queue for meat five years after the launch of perestroika grabs a gun and tells his wife he is off to the Kremlin to shoot the President. Ten minutes later he returned looking downcast. "Why are you back so soon ?" she asks. "I gave up because the queues were so long."

And vodka

■ They also still tell the story about the vodka shortage. An old man finally buys a bottle after a three hour wait, but his hands are so shaking by then that he drops it and it breaks. His fellow drinkers take pity on him, and pass the hat round, to allow him to buy another bottle.

After another three hour wait, the same thing happens. This time the fellow drinkers reckon that if he has to stand in the queue again, the shop will be closed before he is served. So they put him at the front. The old man weeps with pleasure and gratitude. "God love Russia," he says. "In what other country could a thing like this happen?"

Best bitter

■ One of the busiest men in Kiev over the past ten days has been Barry Martin, the chairman of the eponymous travel agency which arranged most of the hotels and travel. There was a very decent mark-up, according to most representatives staying at the down-at-heel Hotel Dnepro.

Martin had even installed a British bar, replete with micro-wave and best bitter at £2 a pint. A complaint that the price was a little steep elicited the reply: "If you can find a place in Kiev where you can get a British pint for less than £2, we will drop our prices."

Phone home

■ The trials of telephoning the UK hit one Courtaulds rep particularly hard. After a three hour wait, he finally got through at 1.30 am by mentioning Mrs Thatcher's name. Falling onto his bed exhausted, he was woken 30 minutes later by the operator asking whether he was satisfied. Two hours later, he was woken again by the operator putting through the original call he had placed at 10.30 pm.

Charles Leadbeater

LETTERS

Financial Services Act should be given a chance

From Mr R. McCrindle MP.

Sir, As a member of the Standing Committee which examined the Financial Services Bill, I am not unaware of the subsequent opposition to its provisions among City institutions, but I am perturbed by the apparent enthusiasm in some quarters in the City for its replacement by the equivalent of the US Securities and Exchange Commission.

My colleagues in the Trade and Industry Select Committee have themselves called for such a body in their report on company investigations. If it were to have the same kind of powers as the SEC in the US it would no doubt work but companies might well find compliance even more difficult.

Make no mistake, if some think they are over-regulated now, the introduction of an SEC-type body would make policing of regulations even tougher. In the US the SEC has more powers than the Securities and Investments Board and the Self-Regulatory Organisations and, indeed, is likely to be given more powers on surveillance, on phone tapping and gaining access to computer data banks. The SEC has also brought 800 civil proceedings *to crack down on wrong-doing*. It can initiate other forms of action at different levels, both criminal and administrative.

There seems to be a belief that with an SEC all the bureaucracy introduced by the Financial Services Act would disappear. Far from it, just as we have self-regulatory organisations under the SIB, so a similar structure is in place under the SEC. The US financial services industry must comply with the requirements of their own SROs as well as the SEC.

There is certainly room to improve the present regulatory regime introduced by the Financial Services Act but it deserves the chance to work and prove itself. An SEC may be the logical long-term development but the consequences of its introduction should not be under-estimated.

Robert McCrindle,
House of Commons,
Westminster, SW1

The decline of National Savings

From Ms Diane Abbott MP.

Sir, The level of savings is crucial to economic growth. However, during the Thatcher years the personal sector savings ratio has plunged. In 1979, when she came to power, it was 11.9 per cent; last year it had fallen to 5 per cent.

The last Budget was falsely promoted as a "Budget for savers." In truth, it has done virtually nothing to increase the overall level of savings. Worse still, the Government is presiding over the "managed decline" of the National Savings movement. National Savings, with its outlets in every Post Office, is uniquely placed to attract small savers. Millions of people, particularly women and young people, visit their Post Office regularly but would never dream of entering the portals of a bank.

However, instead of using the National Savings movement's potential to encourage the savings habit, the Government is running it down.

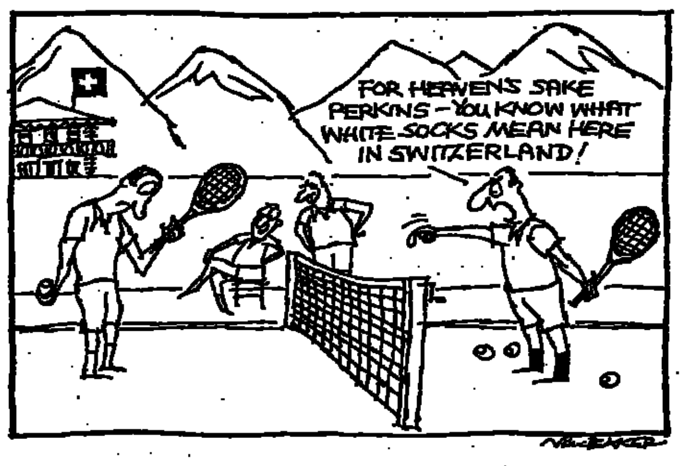
Savings certificates and the Yearly Plan have had their rates of interest deliberately held down in an attempt to discourage people from buying them and to encourage foolish "would-be" savers to cash them in! Gift tokens have been withdrawn completely and the minimum purchase of Premium Bonds has been raised from £10 to £100 (with a belated exception for children). Not surprisingly, the number of Premium Bonds sold has dropped by two thirds and the total held by National Savings has plummeted from £37bn to £35.5bn.

The activities in which National Savings has a remaining involvement seem designed to attract the type of saver already more than adequately served by banks and building societies. It is no surprise that the personal sector savings ratio has fallen, given the Government's attitude to National Savings. Its unique potential to attract new savers has been sacrificed.

Let us hope that the *Chancellor will spare us any more* rhetoric on encouraging savings.

Diane Abbott,
Treasury and Civil Service Select Committee,
House of Commons,
Westminster SW1

Saying it in black and white



From Mr R. Fleming-Williams.

Sir, I was most grateful to Observer (June 7) for the warning that white socks on men in Switzerland can be taken as sending the same message *(whatever that is) as male* handbags in the UK.

We welcome a steady stream of visitors from our head office in that country, the majority of whom habitually wear white socks and who surely cannot all be sending this message.

We usually present them with a pair of black socks from Rendell & Son in Gracechurch Street as a farewell present on their return home, with a request that they should wear *them on their next visit.*

Maybe we should provide them with handbags instead.

R.A. Fleming-Williams,
Managing Director,
Winterthur Insurance,
St Helens,
1 Undershaft EC3

A contribution to the 'labour court' debate

From Prof Lord Wedderburn.

Sir, I hope you will allow me to correct in one respect your report of my lecture at the London School of Economics ("Warning to Labour on court reform," June 7). It was concerned with the "Social Charter, labour law and labour courts" and it reviewed the longstanding debate about "labour courts" and experience of them here and in western Europe, especially in the context of the Social Charter.

I did not speak about "Labour's proposal to replace the Employment Appeal Tribunal with an industrial court (or indeed about an "industrial court" at all). I did review the reasons why many scholars have come to agree that specialised "labour courts" are desirable in Britain and why they should certainly not be based on the "common law tradition" in the High Court and similar courts.

That was the context in which I expressed the view that "the "kernel" of suitable courts could fortunately be found in Britain in the Central Arbitration Committee (which is not "nominated by the conciliation service Acas," but appointed by the Secretary of State in conjunction with Acas) of which the chairman "already has the status of a specialist senior judge."

I readily accept that such a view does of course contribute to further public debate on this important issue; but the terms of this lecture were a contribution to the "labour court" debate in a rather wider perspective.

The full text of my lecture will be available in a forthcoming number of the Modern Law Review.

Wedderburn of Charlton,
London School of Economics,
Houghton Street, WC2

The Lords and the War Crimes Bill

From Mrs Celia Hampton.

Sir, Joe Rogaly ("Lords play a game with constitutional cards," June 6) spoils his arguments by dressing them in so much intemperance. The Lords-Commons divide over the War Crimes Bill raised some confusing but serious issues which ridicule can only make more obscure.

First, Mr Rogaly uses the word constitution to mean only a written constitution. Of course there is no written constitution in the UK but the job is done by a host of laws, precedents and unwritten conventions. The result undeniably exists, although it may well be defective, uncertain and lacking in force. Its overwhelming vice is not non-existence but inaccessibility: few citizens, unless they are lawyers or constitutional scholars, have the arcane knowledge needed to understand it, or even to know where to look for it.

Second, Mr Rogaly is quite unnecessarily abusive about the members of the House of Lords. Among them are figures of central importance in the formation and exercise of power and influence in this country. To dismiss their decision on the War Crimes Bill as mere showing off by an irrelevant talking-shop is to say that the decision itself is unimportant. It is surely mistaken to think that the peers speak only for themselves as individuals simply because they are not elected. Disquietingly in this case, they speak for an important-cross-section of influential "establishment" opinion.

Third, Mr Rogaly – like some of the opponents of the bill – skims too glibly over the *issues. If evidence* uncovered 45 years after the events is cogent enough to persuade two experienced prosecutors that cases against the suspects are justified, the choice is not between prosecuting them and letting them live out their lives in safety and comfort: the choice is between trying them in the UK and sending them back to the Soviet Union to face trial in the place where the crimes were committed.

Celia Hampton,
Flat 2, 40 Anson Road, N7

One man came to 'mow'

From Mr J.M. Reid

Sir, Many chairmen, both male and female, dislike being referred to as an inanimate object (chair) and find chairperson cumbersome and cold. I should like to propose a new word, "mow" meaning man or woman, to solve their problem. In addition to chairmow, we should also have salesmow, seamow, mowservant and mow Friday. Even supermow!

J.M. Reid,
Chairman,
Executive Search,
4 Buckingham Place, SW1

Thames Water dismays

From Mr Yugo Kovach.

Sir, As a water consumer I was dismayed to read that Thames Water intends "to press on fast with development of non-core activities" ("Thames beats forecast with £179m," June 7).

Thames Water is a classic monopoly with the highest quality earnings. Utilities in this position have obligations to their consumers as well as to their shareholders.

These have traditionally been balanced by extensive borrowing on the finest terms with minimum reliance on expensive equity. This, of course, assumes that the utility sticks to its business.

If Thames Water were to stumble in its non-core activities, presumably the industry regulator would ensure that the shareholders suffered rather than the water consumers – but then Thames Water would no longer be able to borrow on the finest terms.

Truly, Thames Water should press on fast but this time abandoning once and for all its non-core activities and plans.

Yugo Kovach,
89 Lebanon Park,
Twickenham,
Middlesex

Reinsurance: danger in quitting the experts

From Mr James Heywood.

Sir, The report by Deborah Hargreaves ("Chicago exchange expected to develop reinsurance futures," May 16) is yet another intriguing instance of the way in which the insurance industry has to face growing interaction within the tertiary sector. Other examples of less sharply defined borderlines between banks, building societies and insurers are seen in the structural (shareholding) links and in the design and marketing of financial products.

In principle, there is nothing wrong with spreading the reinsurance load to non-insurance risk carriers. But the danger is the same as in any transfer away from the original area of expertise (such as the use of insurance as a substitute for bank capital). It is the double danger of short-term speculation and "naive capacity."

Direct insurers are increasingly able to secure and control sufficient resources to carry on their routine business. Their problem is the catastrophic exposure, which is currently under-priced, increasingly unpredictable in total cost and reinsured in the most tortuous and inefficient method conceivable. Your own recent survey on insurance (May 15) comments on the extreme difficulty which a small catastrophe reinsurance market has in attempting to provide balance to a large and under-priced direct market.

This is why it is important that any new instrument for the trading of reinsurance liabilities provides long-term stability, at a reasonable cost; the more catastrophe exposure or "domino effect" is included, the more vital it is to insist on these two factors.

If financial futures markets offer contracts (in whatever form) which are seen as cheap compared with traditional reinsurance, they will be gratefully accepted for as long as they last, but that will perhaps be not for long. If they become lost in the labyrinth of retrading which has swallowed up some incautious reinsurers they will quickly exhaust themselves. Only if reinsurance futures provide a secure source of durable extra capacity, will they be welcome as a useful and needed addition to the market – and that form of security is not, and should not, be cheap.

James R. Heywood,
Museumlaan 102,
Tervuren, Belgium

Loss of sovereignty in the ERM has been a very good thing

From Mr Allan Saunderson.

Sir, The main point to make about membership of the exchange rate mechanism of the European Monetary System is that, yes, it does indeed entail a loss of national sovereignty in economic policy but that this, in all cases over the 11-year existence of the EMS, has proved to be a very good thing indeed.

A good thing because ERM discipline has not only prevented governments veering off an otherwise rigorous monetary and fiscal track but indeed, as most signally in the case of France in March 1983, has required them to steer back on after time spent trying to hew an economic path through impenetrable undergrowth at the sides.

Our March study of the EMS/EMU process, which incidentally predicted 1990 sterling ERM entry for precisely the reasons posited in the current debate, shows clearly why the mechanics of the EMS have confounded Professor Alan Walters's criticisms of the system as being inherently inflationary. He would have been right, had governments not responded to the danger.

Precisely because adherence to the D-Mark anchor can, by obliging monetary easing in order to hit an exchange rate target, exacerbate internal inflationary pressures, national governments have been forced to fall back on fiscal adjustments that they otherwise might well have sought, for internal political reasons, to avoid. The result has been not only a convergence of national inflation rates at lower levels (France and Italy), but also a better balance on external accounts and on central government budgets (Ireland and Denmark).

One point that Britain must ponder over the medium term if the pound is to adopt the wider 6 per cent ERM band, is highlighted by the example of Italy. There, the lira's wider divergence enjoyed up to January allowed successive Italian governments to avoid making painful but necessary adjustments on the central government budget. Action at an earlier date would, by introducing an element of clarity into political and industrial strategy, have benefited both citizens and entrepreneurs as well as preventing a massive overvaluation of the lira against the D-Mark which now burdens Italy's external account. Had Rome acted before, Italy would, for instance, also not have found itself in the awkward position of competing with a capital-hungry emerging eastern Europe for financing its government deficit.

Britain is five years too late into the ERM. Yes, parliament will lose some national economic sovereignty but since this in reality means ceding some of Downing Street's ability to make random economic mistakes such as the 1987/88 D-Mark shadowing or the disastrously inflationary March 1988 Budget, British voters and industrialists (as well as European asset managers) can only welcome it.

Allan Saunderson,
Director of European Research,
Bank Julius Bär,
Bockenheimer Landstrasse 42,
Frankfurt am Main,
West Germany

Alan Pike on radical new ways of financing the UK voluntary sector

The changing culture of British charity

A NEW piece of jargon – contract culture – has entered the language. It may have as profound an impact on Britain's charities and voluntary organisations in the 1990s as privatisation did on industry in the 1980s.

In spite of the impression that they survive on flag days and private donations, voluntary organisations depend heavily on the public sector for *finance – out of about £18bn* received by charities annually, the Government and other public bodies contribute nearly £3.7bn.

Most support has until now come in the form of general grants. This is changing to a system of contracts with voluntary organisations receiving payment, just as commercial suppliers do, for carrying out specific services on behalf of the public sector. Although this shift will benefit a number of charities, it presents the sector as a whole with some serious dilemmas.

On a political level, will charities which rely directly on renewable contracts from government agencies feel inhibited, *when they mount cam*paigns, from criticising government policies? Of more fundamental importance for the future shape of the voluntary sector, will members of the public continue to donate effort and money to business-like charities competing with private companies to deliver welfare and other services for payment?

The shift to contracts, long mooted by ministers, has become a real prospect with the Government's proposed changes in the care of the elderly and handicapped in the community, due to come into force next April. Local authorities will be required to use both voluntary and private sector organisations to deliver *welfare services and to apply* service specifications, agency agreements and contracts in doing so. Public agencies will, says "Caring for People", the government's community care white paper, be expected to "develop an increasingly contractual relationship with the voluntary bodies they fund".

The notion of voluntary bodies carrying out public contracts is not new. During the 1980s charities delivered Youth Training Scheme and Community Programme projects for the long-term unemployed – voluntary groups received £564m under the latter in 1987-88, its last full year, and are still feeling the loss resulting from the programme's abolition.

Those training programmes, however, were financed with new money, whereas payments under the new system of contracts will come out of existing budgets. "In the social welfare field contracting will change the basis on which well-established voluntary organisations operate," says Ms Usha Prashar, director of the National Council for Voluntary Organisations, which co-ordinates the work of Britain's voluntary sector.

But the change will affect more than community care. Government proposals to reform the probation system, involving voluntary and private sector organisations in *the care and supervision of* offenders in the community, have a similar ring. Contracting is showing signs of developing in other fields including housing, environmental improvement and advice services.

Although the shift in methods of funding will benefit a number of charities financially, it is presenting the sector as a whole with some serious dilemmas

A recent Home Office review of public funding of the voluntary sector urges government departments, local and health authorities to look at further ways of using voluntary bodies *as agents to deliver services* currently provided by statutory organisations. Youth work and services to the mentally ill are identified as examples of areas where the use of voluntary organisations might grow.

In a recent report on the implications of the move to contracts for social care, the Association of Metropolitan Authorities acknowledged that contracting could help local authorities to clarify and monitor performance. But the report sounded several warnings:

- If voluntary organisations were increasingly funded under contracts to provide mainstream services, it suggested, their other functions – "advocacy, involving local people in self-help and community projects" – were in danger of being eliminated;
- Smaller voluntary organisations would be put at risk by an "already evident preference" among local authority managers to enter into contracts with larger and better resourced charities;
- Voluntary groups representing unpopular or unmarketable interests could lose out in the race for contracts.

This list of potential problems is not exhaustive. Some charity directors fear that contracts will cause the disappearance of innovative but costly schemes. Safety-first financial *considerations might reduce* charities to offering relatively mundane services for which there was a proven public-sector market.

There are real fears that a charity might be wary of campaigning too robustly on, for example, the causes of poverty or homelessness, if its funding depended heavily on government contracts.

Some charities will undoubtedly boost their income from *selling services under contract.* The voluntary sector believes it is more efficient and businesslike than it is often given credit for, and the contract culture offers a chance to prove it.

Some big charities have already set up contract units to negotiate under the system. Some charity directors feel that contracts will permit better forward planning than the system of general grants which can, for example, disappear abruptly with a change in political control of a local authority.

But would a charity which devoted much of its energy to running the local meals-on-wheels service more cost-effectively than commercial competitors still really look like a charity in the eyes of potential donors? Would volunteers continue to work for nothing in their spare time within such an organisation?

The Charities Aid Foundation, which advises the voluntary sector on investment, has just completed a study of the likely effects of charging by charities. Its author, Ms Diana Leat, says the logic of charitable giving "does indeed become unclear" if voluntary organisa*tions are paid fees to provide* services on behalf of statutory bodies.

"If one gives to a charity to subsidise its agency role vis-a-vis the statutory sector why not cut out the middle-man and make a donation directly to the social services department?"

The likely effect of all this on the voluntary sector depends partly on how contract negotiations are conducted. Ms Prashar stresses the importance of public sector purchasers treating voluntary sector providers as equal partners, with whom they must discuss the quality and range of services and not just the price.

It depends as well on the extent to which a charity relies on Government contracts as a proportion of its total income. This will obviously vary, but one of the problems facing the sector overall is that financial support from private and corporate donors is growing only slowly. If charities were raising more money from non-statutory sources it would increase their confidence and independence when negotiating contracts with public authorities.

"The Government's proposals may make the allocation of public money more efficient and improve the flow of funds for those charities that have services to deliver," says Mr Michael Brophy, director of the Charities Aid Foundation. "But *they are one-dimensional and* are not going to encourage millions of people to donate more money to charity, which is what it should be all about.

"The Government wants to get better value out of the investment of public money, but is not linking this to the equal need to increase individual and corporate support for charity. Public funding needs to be treated as a more coherent and planned part of total voluntary sector funding."

Mr Brophy favours a solution which would, for sheer radicalism, put the "contract culture" in the shade – allowing individual taxpayers to pay lower rates of income tax in return for giving agreed proportions of their earnings to charity.

FINANCIAL TIMES
Tuesday June 12 1990

GERMAN MONETARY UNION

Deutsche Bank poised to grab market lead

By Katharine Campbell in Frankfurt

DEUTSCHE BANK, West Germany's largest financial institution, will open for business in East Germany on July 2, the day of currency union, with a complement of 130 branches and more than 7,000 staff.

The move is likely to give the bank a significant lead over the other big German financial institutions in the underdeveloped but potentially highly lucrative East German banking market.

The bank recently finalised its joint venture agreement with Deutsche Kreditbank, commercial banking arm of the former East German banking monopoly, under which it wins 118 branches of Kreditbank's 170 locations and about 7,000 staff. In addition, it will open 12 branches of its own and send 800 officers from West Germany.

Potential opposition from the cartel authorities deterred Deutsche from forming an exclusive agreement with the East Germans. Dresdner, the number two West German bank, has in recent weeks also held talks with the Kreditbank.

A Dresdner official said yesterday it had not yet signed a contract but expected to take on "at least 60 branches," also in the context of a joint venture.

Deutsche is buying a well positioned, if dilapidated, network in a country where office buildings are almost impossible to find, together with highly placed contacts in what will initially be a very tricky market.

The bank is restricted by East German law to a 49 per cent stake in the new entity, Deutsche Bank-Kreditbank, but is aiming at a majority shareholding as soon as conditions permit. Deutsche has given no figures for how much money it is putting into the new venture.

The East German headquarters will be in East Berlin, where Deutsche will inhabit, with the Bundesbank (the West German central bank), what used to be the Communist Party's Central Committee headquarters.

In a few parts of the country where Dresdner Bank has creamed off the choice former state bank locations, notably in Dresden itself, Deutsche is opening its own 12 branches.

Meanwhile, the opening shots have already been fired in the war to gain savers' deposits, roughly 80 per cent of which are now with East German savings banks.

Yesterday Dresdner announced that it would be running private clients' accounts free of charge until the beginning of 1992.

Commerzbank has already indicated that it will give new customers a year's free banking in the "start-up phase." Deutsche Bank has not yet decided what its strategy will be. Retail banking services, rudimentary as they were, have until now been free in East Germany.

Hungary secures $280m in loans to shore up economy

By Stephen Fidler, Euromarkets Correspondent, in Basle

HUNGARY has secured $280m of short-term loans from western central banks as part of its efforts to shore up foreign bank confidence in its economy.

The short-term will provide a bridge to undisbursed loans from the World Bank, the International Monetary Fund and the Export-Import Bank of Japan.

Mr Ferenc Bartha, president of the National Bank of Hungary, said in Basle yesterday that the funds would become available after a few technical details were resolved. He said $20m of the funds would be provided by the US, and the rest would come from Europe and Japan.

He said the US and others provided the loan on the condition that it would not be used to finance the withdrawal of commercial banks from lending to Hungary.

Hungary is the second east European country to receive bridging finance from western central banks. The Bank for International Settlements disclosed yesterday that Poland had repaid early $215m it drew under a $500m bridging facility agreed last December. The facility has now been terminated.

Mr Bartha said the need to arrange a bridging loan was forced by some banks' withdrawal of credit lines to Hungary, which intensified when Bulgaria froze repayments of principal to banks in March.

This had now stabilised, and the new Hungarian Government continued to emphasise that it would not reschedule and not seek debt reduction under the Brady initiative.

However, Hungary had significant volumes of maturing medium and long-term bank debt, and commercial banks' failure to provide new credits "in the longer term could be dangerous", Mr Bartha said.

While western governments continue to urge private financial help for economic reform in the east, there is growing criticism of commercial banks for making the task harder.

Banks have withdrawn credit lines not only in Hungary, but also in Bulgaria – helping to prompt the repayments freeze – and in the Soviet Union. The latter is understood to have prompted short-term problems for the Moscow Narodny Bank, the London-based bank owned by the Soviet Union.

Mr Wim Duisenberg, chairman of the Bank for International Settlements, said in Basle yesterday that he felt commercial banks were "sometimes a bit volatile in their actions" but they could not be forced to lend. Mr Alexandre Lamfalussy, secretary-general of the BIS, said he did not believe banks acted irrationally but they lagged in recognising both bad news and, as in the case of east Europe, good news.

Mr Bartha criticised the US rating agency, Moody's, for putting Hungary under review for a possible downgrading. The agency had not even visited the country, he said.

He added the Hungary was arranging a $200m expanded co-financing operation with the World Bank. Deutsche Bank and Daiwa would be arranging the commercial bank contribution.

A foreign bond issue was also the cards in Japan, provided the expected credit rating could be obtained, he said.

● The EC's development lending bank said yesterday it had approved its first loans to Hungary and Poland and was ready to begin extending credit to East Germany, Reuter reports from Luxembourg.

EC leaders last year asked the European Investment Bank (EIB) to lend up to Ecu1bn ($1.2bn) to Poland and Hungary, the EIB's first big foray into eastern Europe.

The loans, which have not yet been formally announced, will help Hungary to develop its telecommunications system and Poland to upgrade its railways, the EIB said.

Shevardnadze sees problems over unity

By David Marsh and Leyla Boulton in Brest

MR Eduard Shevardnadze, Soviet Foreign Minister, called yesterday for a formal political agreement between Nato and the Warsaw Pact as a condition for German unity.

Speaking in the Soviet town of Brest after seven hours of talks with Mr Hans-Dietrich Genscher, West German Foreign Minister, Mr Shevardnadze said progress had been made over German unification, but admitted that serious problems on the military status of a united Germany needed to be resolved.

Both ministers hope for further talks this month.

Mr Shevardnadze also insisted on the need for a transition period to unity as well as for an agreement on troop cuts in Germany.

He also called for the establishment of a war-prevention centre or arbitration commission to increase security in Europe.

"Our work is *in camera*. It is very complex diplomatic work which consists of... the juxtaposition of different possibilities," he said, confirming that there had been no major breakthrough.

Senior West German officials yesterday played down Soviet hopes of large German aid as part of a unity package. One official said that although Mr Genscher had pledged economic assistance, Moscow was prone to illusions about Bonn's capacities. "We can give them a fishing-rod" – help with restructuring the Soviet economy – "but first they have to learn how to fish," he declared.

Mr Shevardnadze underlined the personal nature of Mr Genscher's visit to Brest yesterday by taking the minister to see the grave of his brother, a 21-year-old sergeant killed in the first few days of fighting in Brest in June 1941.

Bonn Foreign Ministry officials admitted that Mr Shevardnadze's invitation to meet Mr Genscher in Brest was a two-sided gesture.

By showing the place of his brother's death, the Soviet Foreign Minister wanted to hold out the hand of reconciliation. But the visit to the granite mass grave, where about 800 soldiers are buried, was also a reminder of the more than 20m Soviet lives lost to the aggression of a united Germany.

Brest, on the Bug river forming the Polish border, has a central place in the stormy history of German-Soviet relations.

The town was the site for the Soviet Union's signing, in March 1918, of the peace treaty with the Kaiser's Germany, which sealed the fledgling Bolshevik republic's exit from the First World War.

Crédit Lyonnais backs UK operation

By Andrew Baxter

CREDIT LYONNAIS, the state-controlled French bank, yesterday strongly supported its London-based securities and capital markets operation. The future of the operation has been at the centre of speculation since last month's closure of Kitcat & Aitken, the UK brokerage owned by Royal Bank of Canada.

The bank was responding to rumours that other foreign banks were reconsidering their commitment to the London securities market following the Kitcat closure.

Mr Philippe Souviron, head of CL Capital Markets and a CL deputy general manager, yesterday told City analysts: "It would be a complete nonsense for us not to go on with our capital markets activity, and our brokerage in London."

CL Capital Markets employs about 800 people in London, of which, about half work for CL Securities, and Laing & Cruickshank Investment Management. These units account for the activities of the former Laing & Cruickshank brokerage.

Mr Souviron said the operating environment for CL Capital Markets had improved dramatically since 1988.

London capital markets activities returned to profit in the first quarter of 1990, after a £21.7m loss for 1989, principally because of last year's decision to pull out of market-making in UK equities and in gilts.

Mr Souviron also said that the worldwide development of capital market activity was important as a platform for CL's corporate finance presence.

He added that it was obvious that CL's UK brokerage capacities represented an important element in its service as an international broker, emphasising European stocks. Giving up this presence would ruin its European strategy.

As for CL's broader ambitions in the UK, Mr Bernard Thiolon, general manager, said the bank had no specific plans to expand in retail banking in the UK.

Dual-speed EC monetary union

Continued from Page 1

there is a clear division of responsibilities between it and the government."

In Luxembourg Mr Pöhl reiterated his general doubts about the willingness of governments to give up their powers over monetary policy. He said if they are ready, the blueprint being prepared by central bankers for December's EC InterGovernmental Conference on monetary union would form a substantial part of the new treaty.

However, he warned ministers that until the character of the bank had been agreed, there was little point trying to decide upon the voting structure of the future European central bank's board.

His caution came despite overwhelming support yesterday from finance ministers for the idea that each member of the board should have an equal vote. This would give the smaller countries – many of which have a lower commitment to fighting inflation – a relatively large say in setting policy than under the weighted votes system.

Many ministers yesterday expressed concern that not enough time was being spent on working out the transitional arrangements.

Mr Major said that a huge amount of work remained to be done, and called for clear criteria for moving from one stage to the next.

Gorbachev calls crisis talks to review economic reform plans

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev yesterday summoned a crisis meeting of Communist Party leaders from the entire Soviet Union to review the disarray of government economic reform plans and the gathering danger of a split in the party.

The talks were held as it was revealed that Mr Gorbachev would meet the leaders of all three rebellious Baltic republics today, after a meeting of the new federation council, to discuss the whole relationship between the 15 Soviet republics and the central government.

The talks also came on the eve of a crucial vote in the Supreme Soviet, the national parliament, which may well reject, or order drastic change in, the economic reform plans tabled by Mr Nikolai Ryzhkov, the Prime Minister.

At the same time oil industry workers in Tyumen, the west Siberian region producing 60 per cent of Soviet oil and gas supplies, announced they would be taking "warning action" to cut deliveries to the rest of the country.

Their warning came on the eve of negotiations on pay and conditions with the Government.

As if that were not enough for the Soviet leader, strike committee leaders from all the big coalfields in the country are meeting in Donetsk, the main city of the Donbas field, to found an independent trade union and decide on further industrial action.

Mr Gorbachev summoned the leaders of the republican, territorial and regional Communist parties – all the major units of party organisation – to the meeting of the Central Committee in Moscow, to hear reports on the state of the economy from Mr Ryzhkov and on the forthcoming party congress from Mr Vadim Medvedev, the party secretary for ideology.

There were no immediate reports on the outcome but both issues have split the ruling Soviet party.

Mr Ryzhkov's reform plan, involving drastic increases in food prices in return for compensation in wage packets, has been denounced by both reformers and conservatives – and the Soviet President has increasingly sought to distance himself from it.

On the forthcoming party congress, Mr Gorbachev has already been forced to concede that a separate Russian Communist Party will be founded later this month, making it almost certain that the future Soviet Communist Party will increasingly be a federal structure.

The Soviet leader's two simultaneous challenges now are to cope with a rapidly declining economy, the collapse of which is accelerated by the threats of imminent industrial action, and the secession demands of non-Russian republics.

His decision to meet the three Baltic presidents suggests a possible willingness to negotiate terms, although Mr Gorbachev has refused to do so previously.

Mrs Kazimiera Prunskiene, the Lithuania premier, was last night waiting in Moscow for a promised meeting with Mr Ryzhkov to discuss the energy blockade of the republic.

The action of the Tyumen oil workers is potentially the most serious. A strike in the Siberian oilfields would give immediate grounds for the imposition of a national state of emergency.

Representatives of the workers were are due to hold talks today, before reporting back to a mass meeting in Tyumen on Friday, according to Izvesta, the government newspaper.

Soviet opposition united against Ryzhkov plan, Page 3

WORLDWIDE WEATHER

		Y'day midday °C	°F
Ajaccio	S	21	70
Algiers	F	28	82
Amsterdam	C	13	55
Athens	S	29	84
Bahrain		–	–
Barcelona	C	19	66
Belfast	C	13	55
Belgrade	C	19	66
Berlin	F	19	66
Biarritz	C	15	59
Birmingham	C	13	55
Blackpool	C	13	55
Bombay	F	32	90
Bordeaux	S	22	72
Boulogne	C	14	57
Bristol	R	12	54
Brussels	C	14	57
Buenos Aires		–	–
Budapest	C	16	61
Cairo	S	31	88
Cape Town	S	18	64
Cardiff	R	13	55
Chicago †	S	15	59
Cologne	C	14	57
Copenhagen	S	23	73
Corfu	S	26	79

		Y'day midday °C	°F
Dallas †	S	23	73
Dublin	C	14	57
Dubrovnik	S	21	70
Edinburgh	C	13	55
Faro	C	21	70
Florence	S	23	73
Frankfurt	C	16	61
Geneva	S	18	64
Gibraltar	S	23	73
Glasgow	C	15	59
Guernsey	F	16	61
Helsinki	C	13	55
Hong Kong		–	–
Innsbruck	F	15	59
Inverness	C	11	52
Isle of Man	C	12	54
Istanbul	S	28	82
Jersey	R	15	59
Johannesburg	S	17	63
Las Palmas	F	23	73
Leeds	C	11	52
Lisbon	F	22	72
Locarno	S	23	73
London	C	13	55
Los Angeles †	C	17	63
Luxembourg	C	11	52

		Y'day midday °C	°F
Madeira	C	19	66
Madrid	F	25	77
Majorca	F	23	73
Malaga	S	25	77
Malta	S	28	82
Manchester	C	14	57
Melbourne	F	10	50
Mexico City		–	–
Miami †	S	27	81
Milan	S	24	75
Montreal †	C	14	57
Moscow	F	19	66
Munich	C	13	55
Nairobi		–	–
Naples	F	24	75
Nassau		–	–
Newcastle	C	11	52
New Delhi	S	36	97
New York †	F	19	66
Nice	S	21	70
Nicosia	S	24	75
Oporto	S	21	70
Oslo	T	26	79
Paris	C	15	59
Peking		–	–
Perth	F	15	59

		Y'day midday °C	°F
Prague	C	17	63
Reykjavik	R	10	50
Rhodes	S	27	81
Rio de Janeiro		–	–
Rome	S	23	73
Salzburg	R	11	52
S'Francisco †	S	11	52
Santiago		–	–
Seoul	C	21	70
Singapore		–	–
Stockholm	S	24	75
Strasbourg	F	18	64
Sydney	F	16	61
Tangier	F	22	72
Tel Aviv	S	26	79
Tenerife	S	25	77
Tokyo	S	25	77
Toronto †	S	15	59
Tunis	S	30	86
Valencia	C	22	72
Venice	S	19	66
Vienna	C	16	61
Warsaw	F	19	66
Washington †	S	19	66
Wellington	R	9	48
Zurich	F	18	64

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Shell bars shipments

Continued from page 1

insurance companies.

Shell's move raises the broader prospect of well-financed and sophisticated companies abandoning activities in environmentally sensitive industries, leaving the field to small companies which may be unable to meet large claims.

Mr Ian McGrath, managing director of Shell International Marine, the group's shipping subsidiary, said yesterday that profits on its shipping activities to US ports could not justify the unlimited and uninsurable risks involved. Shell was particularly disturbed that large damages could be assessed in the absence of a finding of negligence.

Shell would immediately halt all deliveries in ships it owned or managed of crude oil or "black oil" products, such as heavy fuel oil or lubricating oils, to all US ports with the exception of the Louisiana Offshore Oil Port which Shell believes is relatively safe.

Shell will continue to supply oil through deliveries from other tanker operators.

The financial risks of shipping oil to the US are high because the US Congress has not ratified international conventions which limit liability and make available up to $135m under various compensation schemes for liabilities.

Banks close to Trump accord

Continued from Page 1

venture described by Mr Trump as the World's eighth wonder, cost more than $1bn to build, of which some $675m came from a junk bond issue. Yesterday, Trump junk bonds were marked as much as 3¾ points higher as word spread of Mr Trump's likely debt restructuring agreement.

Mr Trump's problems have been mounting for weeks amid speculation as to which of his assets may be sold. He has already put the New York/Washington Trump Shuttle up for sale, but the airline is believed to be worth less than the $350m price he paid for it

THE LEX COLUMN

Bad debts back in fashion

No one ever suggested the banks and the building societies were going to escape unscathed from the current problems of the UK economy. High inflation, a prolonged period of record real interest rates and a sharp slowdown in economic activity were bound to take a heavy toll. But yesterday's message from Barclays and Nationwide Anglia is that the pain is turning out greater than expected.

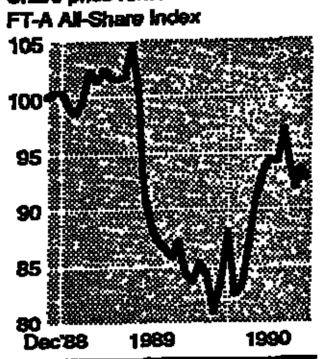
he £100m provision Barclays has made against its British & Commonwealth exposure may be only 1⅙ per cent of shareholders'funds. But it is a huge provision for a single corporate customer – the equivalent of 11 per cent of Barclays' 1988 rights issue proceeds. It would only take a few more B & Cs, plus some dud property loans, and Barclays could be back again with another cash call, perhaps disguised as part of some strategic European acquisition.

As for Nationwide Anglia, its £65m provision is a reminder that, contrary to conventional wisdom, it is not operating in a risk-free environment. Admittedly, it is a small player in commercial lending; but if all the other property lenders were to make proportionally similar provisions, it would knock upwards of £2.5bn off their profits this year.

Both Barclays and Nationwide Anglia are open to criticism.Barclays has been intent on winning back market share after several dull years and Nationwide, intent on becoming a big player in mainstream UK retail banking, has demonstrated the difficulties building societies face in getting into unsecured lending. But both are better managed than many of their peers. It will only be when the likes of the TSB and Midland have reported that the full effects of the UK's bad debt problems can be properly assessed.

British Steel

Share price relative to the FT-A All-Share Index



Markets

It is not wholly surprising that the UK equity market received yesterday's retail sales figures with stoicism. The market's chief preoccupation was with Wall Street, which was showing signs of recovery after its sharp drop on Friday. And after all, it goes slightly against the grain for equities to fall on evidence that business is booming.

The figures are worrying nevertheless. After April's year-on-year growth of 2.6 per cent, almost zero growth was expected in May. The actual figure of 1.1 per cent is the more unsettling in that last May's figure was itself strikingly high. The market took some comfort from the producer price data, which showed output price inflation broadly unchanged and input prices once more sharply down. The benefits of falling oil and commodity prices are wholly welcome, while the divergent trend in output and input prices is plainly good news for corporate margins. But the fact that such margins can be achieved is merely further evidence of the strength of demand.

Ultimately, this cannot be good for gilts. The market has half convinced itself that base rates are coming down as part of the government's preparation for ERM entry. But there is a good case for arguing that the higher sterling's rate on entry the better. Yesterday's figures point the same way: whether through high interest rates or a high currency, the UK still needs all the tightening it can get.

British Steel

Of all the UK's privatisation stocks, British Steel must be the only one where the offer price still looks to have been bang on the nail. Never mind its cash pile, now of Germanic proportions, standing at about £450m even after paying for its C. Walker stockholding takeover, nor the fact that as the Ravenscraig affair shows, British Steel's management is still among the UK's toughest.

The snag is that the best of the recovery story has been over for a long time. With 1990-91 a difficult year in the UK, at a time when the company is coping with a rising tax charge and a £450m annual capital budget, one can see the justification for floating it 18 months ago on a notional yield of 8 per cent. Hence the 7.5 per cent historic yield at which the shares were trading last night is not a sign of cheapness.

The easy way to pick holes in last year's 24 per cent jump in taxable profits to £733m is to knock out the £44m saving in pension costs arising from SSAP 24. Do that, and one sees that as steel demand weakened in the second half, so the group's trading margins collapsed from 15 per cent-plus to less than 11 per cent. British Steel is talking about a further cost/price squeeze this year, so market expectations of a drop to £600m at the pre-tax level seem reasonable. The long-term issue is that with foreign steel-makers catching up in productivity, British Steel cannot let up on capital spending; and with 1990 showing the dangers of over-reliance on the UK, acquisitions overseas look increasingly essential. Even Sir Robert Scholey's bulging wallet cannot pay those bills and still guarantee long-term dividend growth at any decent margin over inflation.

News Corp

The flotation by Mr Rupert Murdoch of a minority stake in the South China Morning Post has a certain surface appeal. The paper is phenomenally profitable; in five years its pre-tax margin has never dropped below 50 per cent, with average profits growth close to 40 per cent. The exit multiple of 10 is below the Hong Kong market average: the yield is an attractive 9.2 per cent: and the company will be floated free of debt.

On closer inspection, doubts creep in. Despite the growth record, current year profits are forecast to fall slightly; and of that, nearly half will go to Mr Murdoch in repayment of intra-group debt. The multiple is around the same as that of the Post's mass-market Chinese rival, the Oriental News, which is expected to continue its profits growth this year.

Above all, it is unclear why Mr Murdoch is selling. He will have more than doubled his money in under four years, raising some £175m which will doubtless be taken out of Hong Kong to a safer haven. But it is not Mr Murdoch's habit to realise assets through flotation. It is worth recalling Hanson's similar break with tradition last summer in floating Smith Corona. The offer price was US$21; the shares now trade at a third of that.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

San Paolo tests the fortunes of friendship

"To go abroad you need friends." So says Gianni Zandano, chairman of Istituto Bancario San Paolo di Torino (left). And Italy's second biggest bank is rapidly making those friends with a leasing joint venture in Portugal, a stake in a Spanish bank, and a more than 14 per cent holding in Hambros, the UK merchant bank. Haig Simonian reports on San Paolo's bid to challenge Europe's biggest banks. Page 22

Anglian beats profits forecast

Anglian Water had good news for its shareholders yesterday with pre-tax profits of £95.1m ($143.7m) for the year to March 31. The company, floated on the stock market last December, beat its own pre-flotation forecast by £3.1m. Anglian — in which the French water supplier Lyonnaise des Eaux has a 9 per cent stake — recommended a final dividend of 10.21p, in line with its prospectus. Andrew Bolger reports. Page 28

Growing, growing, gone

The UK computing services market is moving into a lower gear. Analysts estimate that the average rate of growth has slipped from more than 20 per cent a year to 15 per cent. Yet other industries would envy even the slower rate of growth. Alan Cane looks at the problems of leading computer services groups and says that the slowdown highlights problems with particular market sectors rather than a general malaise in the industry. Page 31

Emap rises to £38m

Emap, the UK magazine, newspaper and exhibitions group, has managed to shrug off the worst effects of the recession in advertising with a 13 per cent increase in pre-tax profits to £38m ($63.4m) for the year to March. Raymond Snoddy reports on the company's blend of entrepreneurial flair and watch over costs which has produced a respectable performance in difficult circumstances. Page 31

Murdoch on the move

Rupert Murdoch (left) refuses to succumb to investors' fears of a Hong Kong ruled from Peking. On the contrary, his South China Morning Post (Holdings) hopes to join with new shareholders from Singapore to bid for a Chinese language newspaper in the colony. John Elliott looks at Mr Murdoch's plans for expansion. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Falls				Air Liquide	728	–	12
Beiersdorf	843	–	11	BIC	664	–	14
Bilfinger & B.	835	–	45	Club Med	605	–	30
Deutsche Bab	198	–	12	Gen Occidentale	752	–	23
Mannesmann	329	–	11	Printemps Au	640	–	20
Porsche	1162	–	30	Soc.Gen.de Fr	575	–	20
Schering	800	–	9	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Anzawa Mfg.	1850	+	130
AMR	68	+	1	Daito Gyorui	1730	+	130
Boeing	58½	+	3½	Isetan	4350	+	430
IBM	119¾	+	1	Jidosha Buhin	1150	+	100
Falls				Toyo Chemical	1070	+	75
McDonnell Doug	45¼	–	⅝	**Falls**			
Microcom	9¾	–	8½	Nihon Inter	1110	–	80
UAL	156⅞	–	2				
PARIS (FFr)							
LONDON (Pence)							
Rises				Argyll Grp.	226½	–	8½
Alexon	451	+	3	AB Foods	412	–	6
Abraham Intl.	302	+	13	Eurotunnel	498	–	12
Comm. Union	517	+	6	Lowndes Q'Way	2½	–	½
Guinness	788	+	9	Midland	305	–	7
ICI	1222	+	8	Prudential	220	–	6
Smithkline B'ch	555	+	3½	Reed Intl.	427	–	2½
Trafco	176	+	43	Unilever	684	–	9
Ultramar	349	+	5	Utd. Newspaper	341	–	7
Warburg (S.G.)	438	+	2½	WPP Grp.	571	–	22
Falls							

British Steel faces squeeze on margins

By Charles Leadbeater in London

BRITISH STEEL is tightening its belt for its toughest year since its privatisation in December 1988, after declaring a 24 per cent increase in pre-tax profits to £733m ($1.2bn) for 1989-90.

Sir Robert Scholey, chairman said steel demand was running some 15 per cent below the peak it reached in the first half of 1989. The profits improvement for 1989-90 mainly came from a strong first half, when profits leapt 57 per cent to £423m.

The company expects to face a squeeze on margins, with input costs rising by about 9 per cent a year and prices increasing by about 7 per cent. It is planning a heavy investment programme to raise productivity. This could intensify job cutting.

The results for the year to March 31, 1990 give a clue to British Steel's reasons for choosing last month to announce next year's closure of its hot strip rolling mill at Ravenscraig in Scotland. The company has made an exceptional provision of £149m, mainly to cover the closure, which is set against last year's healthy profits. Had the decision been delayed, the exceptional item would have been set against this year's profits, which are likely to suffer from falling demand and tighter margins.

In Continental Europe the £105m acquisition of the Trisdorf subsidiary of the West German company Klöckner-Werke will be completed at the end of this month. This should boost British Steel's sales in West Germany where steel demand remains strong. Trading profits rose to £708m (£656m) on a 3 per cent increase in turnover to £5.1bn, largely because of a £44m benefit from revised accounting standards for pensions and £45m from efficiency gains.

The rise in pre-tax profits to £733m (£593m), came from increased profits of related companies, such as £76m from United Engineering Steels, and a £52m increase to net interest and other income of £94m. Set against this was the exceptional item for the Ravenscraig closure.

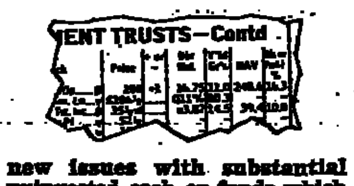
British Steel is also bearing the burden of being a profitable private sector company. Its tax bill rose 442 per cent to £168m, largely because it has used up its ability to offset tax against past losses. Dividends cost £165m.

The company's balance sheet has been strengthened, putting it in a good position to fund acquisitions and investment, while net liquid funds rose by £305m to £783m. These had been reduced by the £330m paid earlier this year for Walker & Sons, the UK's largest steel stockholder.

Earnings per share rose by 1 per cent to 28.2p. The directors are recommending a final dividend of 5.5p, taking the dividend for the year to 8.25p.

Lex, Page 20

FT investment trust listings



FROM TODAY the investment trust listings within the Financial Times's London Share Service will carry estimates of each trust's net asset value (NAV) and of the discount (some 15 per cent on average at present) at which the shares price typically stands in relation to that asset value.

The figures are supplied by County NatWest WoodMac and are the result of a daily simulation of changes in portfolio values. This is normally done on the basis of the monthly information filed by investment trusts with the Association of Investment Trust Companies (AITC). End-May data is due to become available this week. Where the trusts are not AITC members, the most recently available information on portfolio structure is used.

Normally the calculations of the discount are reliable, but in exceptional cases, such as highly geared split level trusts, recent new issues with substantial uninvested cash or funds which have radically restructured their portfolios, the estimates may need to be treated with caution.

Usually the simulations are carried out on the basis of prices at 3.30 pm, whereas the share prices are taken at the market's close. The NAV is calculated according to the following definitions: prior charges are valued at par, and normally convertibles are assumed to be converted, while warrants are treated as exercised if dilution to the NAV were to occur. A discount is assumed to be normal. A minus sign indicates the presence of a premium.

Main transnational airline investments, 1989

AIRLINE	FOREIGN INVESTMENT	SHARES HELD %	AIRLINE	FOREIGN INVESTMENT	SHARES HELD %
Air Europe	Air Europe (Italy)	[illegible]	[illegible]	Austrian	10
	Air Europe (W. Germany)	[illegible]		Cargolux	25
	Air Europe (Norway)	[illegible]		Interflug	25
	Air Europe (Spain)	[illegible]		Viva	50
Air France	Austrian	[illegible]		Sun Express (Turkey)	40
	EuroBerlin	[illegible]	[illegible]	Air New Zealand	20
	[illegible]	20	[illegible]	Universair (Italy)	49
All Nippon	[illegible]	[illegible]	[illegible]	[illegible]	24.9
American [illegible]	[illegible]	[illegible]		[illegible]	5.1
Ansett	[illegible]	[illegible]		[illegible]	30
	[illegible]	[illegible]		[illegible]	7.5
British Airways	[illegible]	[illegible]		Texas Air	9
[illegible]	[illegible]	5	Singapore	Delta	5
	[illegible]	[illegible]		Swissair	5
[illegible]	[illegible]	[illegible]	Swissair	Austrian	10
[illegible]	SAS	5.1		Delta	5
[illegible]	[illegible]	[illegible]		SAS	7.5
[illegible]	[illegible]	[illegible]		Singapore Airlines	5
	[illegible]	[illegible]			
	[illegible]	[illegible]			

Source: Economist Intelligence Unit

Europe's airlines fly in tighter formation

Paul Betts on the growth of cross-shareholdings

THE global game of Monopoly in the European airline industry is gathering momentum. The tempo of cross-border deal-making has quickened ahead of the expected approval by EC governments next week of the second phase of European airline liberalisation.

Yesterday, Scandinavian Airlines System (SAS) and Swissair decided to go ahead with a share swap of 7.5 per cent in each other. This is the latest example of a growing series of commercial and financial alliances between international carriers.

Among other deals:

● Alitalia, which had been notably absent from the rush into strategic alliances, forged two important commercial agreements in quick succession last week with Iberia in Spain and US Air in America.

● Singapore Airlines (SIA) confirmed it expected to complete a 2 per cent equity exchange with Swissair before the end of this year. This is part of SIA's strategy of global alliances which has already led to a share swap with Delta Airlines of the US.

● British Airways and KLM Royal Dutch Airlines are currently lobbying hard to secure European Commission approval for their joint venture with Sabena of Belgium, to be called Sabena World Airlines.

● Air France is asking the EC to allow it to take control of UTA and Air Inter, the two other French airlines, and approval for its commercial alliance with Lufthansa of West Germany.

● In the UK, Dan Air is actively seeking a strong financial partner.

● Air Europe is also looking for a partner.

This scramble for alliances is accompanied by the emergence of a new breed of so-called mega-carriers, a trend in which European airlines are playing a dominant role.

A comprehensive report* on the European airline industry published last week by the Economist Intelligence Unit (EIU) emphasises that airlines are using alliances and groupings to consolidate at home and increase access abroad.

Liberalisation of air transport regulations has encouraged competitors to invest in other airlines in their own country, particularly feeder airlines which can provide traffic for long-haul operations. However, the most significant new development, according to the EIU study, is for airlines to take equity investment in carriers of other countries, with the aim of cementing commercial relationships or creating stronger multinational links. The report forecasts that long-term market pressures will inevitably lead to more cross-border mergers and takeovers by the mid-1990s.

SAS has been one of the most active deal makers. It has taken interests in Continental Airlines in the US and British Midland in the UK, and forged partnerships with Thai International and Swissair. Three years ago SAS challenged BA's (eventually successful) attempt to take over British Caledonian, and it was also interested in Sabena.

SAS's strategy is to create a coherent global travel system by knitting together a diverse group of international airlines. Mr Jan Carlzon, the group's chairman, believes consolidation is inevitable. Europe will probably end up with "five combination airlines," he says. These giant groupings will have the size to compete against US and Far Eastern carriers. If they are to survive, smaller airlines will have to attach themselves to one of the new combinations.

One of the most interesting alliances has been the trilateral partnership between Singapore Airlines, Delta Airlines of the US and Swissair. Mr Cheong Choong Kong, the managing director of SIA, confirmed last week that his airline was going ahead with a 2 per cent equity-shareholding with Swissair. SIA had already taken a 5 per cent stake in Delta and the US airline had bought a 2.7 per cent stake in SIA.

"The Delta and Swissair partnership offers a lot of opportunities as a global alliance," he said. The Delta-SIA alliance will introduce its first airline "code sharing" service next month between Singapore and Dallas-Fort Worth, an arrangement which involves co-ordinating reservations and scheduling. The alliance will also enable SIA to fly sooner to New York, the one large city still missing from its route network.

"What Delta does for us in America and Swissair in Europe, we do for them in Singapore," explained Mr Cheong. He said the cross-shareholdings were designed to cement the long-term commitment between the partners. "We are not, however, out to have a say in the management of Delta. That's why we are not represented on its board and vice versa," he said.

This trend towards partnerships and greater concentration is alarming EC competition officials. They fear that mergers and strategic alliances risk undermining the competition which the EC is trying to inject. The second stage of airline liberalisation is expected to be approved by European transport ministers next Monday.

The EC has already dropped strong hints that it is likely to object later this month to the proposed deal in which BA and KLM are each taking a 20 per cent stake in the new Sabena World Airlines venture.

BA and KLM have defended their investments in the Sabena venture as part of their efforts to improve their positions in the global airline market place. And last week, Lord King, the BA chairman, criticised the separate review of the proposed deal being undertaken by the UK's Monopolies and Mergers Commission. He said: "We struggle not only against the efforts of our competitors but the shackles imposed by our own Government."

Brussels has other competitive worries. The Commission is concerned over the implications of the Air France-UTA merger and the Air France-Lufthansa alliance, as well as KLM's investments in several smaller Dutch airlines.

However, the issue is complex. On the one hand, the EC is seeking to ensure that competition is not distorted in the new liberalised European airline environment by mergers and alliances squeezing out new entrants and smaller airlines.

At the same time, the larger European airlines argue they must grow larger and forge international alliances if they are to compete against the big US carriers and the increasingly expansion-minded Asian airlines.

The issue is further complicated by concerns over the state ownership of many significant European airlines, which could allow them to continue to enjoy unfair government subsidies. For all these reasons, the recent EIU report suggests that a code of conduct is now needed for airline policies in Europe. While the regulators debate, however, competitive pressures continue to push Europe's airlines into closer links.

* *European Liberalisation and World Air Transport, Stephen Wheatcroft and Geoffrey Lipman, EIU.*

Barclays Bank makes a £100m write-off against B&C collapse

By David Waller in London

BARCLAYS BANK is planning to write off about £100m ($168m) against expected losses from its exposure to the collapse of British & Commonwealth Holdings, the UK financial services group.

Barclays is B&C's biggest creditor. The provision against the bank's profits for the six months to the end of June is probably the largest write-off ever made by a UK bank against a UK corporate client.

Mr Richard Carden, Barclay's main board director responsible for corporate banking, said that the write-off took account of the bank's exposure to the B&C group as a whole, including Atlantic Computers, the leasing subsidiary which was placed in the hands of administrators in April.

The Bank arrived at the £100m figure after making an assessment of the break-up value of the B&C group, believed to have fallen considerably with the appointment of administrators to the parent company, the B&C merchant bank and two other subsidiaries.

It is, however, impossible to tell from the level of the provision just how much Barclays expects to recover from B&C as the bank has never given any indication of its total exposure. City estimates put the figure at between £140m and £300m.

Barclays said the reason for its announcement was the fact that it is considering raising money through a further issue of dollar-denominated preference shares. It said that the B&C liability would have had to be disclosed as part of the "due diligence" procedure for such an issue in the US.

Other creditor banks are likely to bide their time before coming to an assessment of the direct financial consequences of the B&C collapse. Barclays spearheaded the unsuccessful attempts of banks to provide a standby facility for B&C's merchant banking facility. In the event, it was unable to persuade all the other banks involved to back the facility, which led directly to the appointment of administrators not only at the bank but at the group as a whole.

The write-off, though large, has to be seen in terms of predicted pre-tax profits of £1.5bn for Barclays this year, and the bank's share price reacted by falling 4p to 396.

● Five staff from Exco International's Singapore operation, including the office Number Two, have left for a rival firm, writes David Owen. Exco - widely regarded as the jewel in B&C's crown - is the largest broker in Singapore with 150 employees.

Lex, Page 20; London Stocks, Page 37

Maxwell hits snag on paper deal

By Kevin Brown in Sydney and Peter Montagnon and Raymond Snoddy in London

MR ROBERT MAXWELL, the British publisher, yesterday agreed a deal which promised success in his two-year campaign to break into the Australian newspaper market, but drew an immediate rebuff from Mr Paul Keating, Australia's Treasurer and Deputy Prime Minister.

Bell Group, an independently managed subsidiary of Mr Alan Bond's troubled Bond Corporation, said yesterday that Mr Maxwell's Mirror Group Newspapers had agreed to pay A$175m (£136m) cash for 49 per cent of a new company which would own the Perth-based West Australian daily newspaper and several local papers. He would also take responsibility for A$75m of Bell debt.

Mr Keating, who was visiting London, immediately said that his government would not agree to the purchase.

Mr Keating said: "We always have a strict view of newspaper ownership." He added: "A 49 per cent interest for a shareholder that strong is a controlling interest. We would not agree to it."

Describing Mr Maxwell as a "clever media proprietor," he said that he had had no contact with him during his visit to the UK. The affair was "a side issue in the long sweep of history."

Mr Maxwell responded last night by pointing out that Mr Rupert Murdoch owned 61 per cent of the Australian press despite being a foreigner. Mr Murdoch is an Australian who took US citizenship.

"The same rules must apply to all foreign investors," Mr Maxwell said, contending that "European investors would look askance at any government giving one newspaper owner privileges not available to all others."

The deal would have left half of the new company with Bell Group while 1 per cent was to be held by an unnamed "distinguished Australian."

Last month Mr Maxwell bought 14.9 per cent of Bell Group, the maximum allowed before an overseas purchaser must seek government approval.

The West Australian, which has a circulation of 250,000, reported net profits of A$32.2m for the year to last June. It is regarded as one of the country's most profitable daily newspapers.

Murdoch's HK bid plan, Page 24

INTERNATIONAL COMPANIES AND FINANCE

Perstorp expands with purchase of W German group

By John Burton in Stockholm

PERSTORP, the Swedish speciality chemicals and plastics group, yesterday acquired the West German company H. Häussling, which makes sound absorption components for the automotive industry as part of an expansion in this business sector.

The Swedish concern also predicted that its earnings for the fiscal year ending August 31 would be 5 per cent to 10 per cent lower than last year's profits after financial items of SKr687m ($112m). It reported unchanged profits of SKr463m for the first eight months of the current fiscal year, with sales climbing by 8 per cent to SKr4.6bn.

Perstorp said its purchase of H. Häussling for an undisclosed sum would make it a leading supplier of acoustic products used in vehicles. The acquisition of H. Häussling, which employs 400 people and has sales of SKr250m, gives Perstorp a European Community foothold in this business area. Perstorp acquired the acoustic business activities of the Beckers group, which has plants in Sweden and North America, in 1988. The addition of H. Häussling will almost double its annual sales of acoustical products to SKr800m.

Perstorp said its expected lower profits of between SKr600m and SKr650m for the 1989/90 fiscal year were due to economic problems in Brazil, where it has manufacturing facilities. It had previously predicted that this year's earnings would match those of last year.

Earnings during the first eight months remained flat due to weak market demand in the UK and the Nordic region. Competition has also intensified in the West European chemicals market.

Huhtamaki profits climb

By Enrique Tessieri in Helsinki

HUHTAMAKI, the Finnish foods, pharmaceuticals and packaging group, yesterday reported pre-tax profits up 27 per cent for the first four months of this year to FM105m ($26.4m), from FM83m for the same period in 1989.

Operating profit rose 9 per cent to FM187m. Group net sales rose by 11 per cent to FM2.06bn, against FM5.48bn.

Mr Timo Peltola, president and chief executive, attributed the better performance to good results in the foods and US confectionery operations.

Although sales were on target, they were undermined by a weak US dollar and a sluggish performance by the packaging sector in Australia and New Zealand. The group's pharmaceuticals sector also saw lower sales than expected during the first quarter of this year.

The confectionery division lifted sales by 5 per cent to FM1.14bn, foods by 38 per cent to FM307m, packaging by 8 per cent to FM402m and pharmaceuticals by 7 per cent to FM205m. Earnings per share for the four months dropped to FM2.45 from FM2.60.

KPMG in Chinese joint venture

KPMG Peat Marwick McLintock, the British-based international accounting firm, said yesterday that it and the Chinese Institute of Certified Public Accountants would set up the first Chinese-foreign joint venture accounting firm, Reuter reports.

The venture will be named Hua Wei in Chinese and KPMG Peat Marwick China in English. It is expected to start business before the end of 1990. It will serve Chinese companies with overseas operations by improving their accounting methods and helping them raise capital, and will also audit local companies.

Microcom share price plunges on loss forecast

By Louise Kehoe in San Fransisco

THE share price of Microcom, a leading supplier of modems and communications software for personal computers and workstations, plummeted by almost 50 per cent yesterday following news that the company expects to report a quarterly loss.

The stock price fell from $18⅛ to $9¾ in heavy trading yesterday morning. Late on Friday, Microcom issued a statement saying that revenue and earnings for the first quarter of fiscal 1991 would be below analysts' expectations.

"We have reviewed the current inventory levels of all of our key North American software and data communications distributors and determined that it is unlikely that they would require significant additional product shipments from Microcom prior to June 30 1990," said Mr James M. Dow, president and chief executive.

The company projected revenues for the quarter of approximately $14m and a loss per share in the range of 15 to 20 cents.

A loss would break a 17-quarter record of revenue and profit growth by the company. Microcom reported revenues of $75.1m for fiscal 1990, ending March 31 1990, up 27 per cent on the previous year.

Income for the year was $15m, a 43 per cent increase over fiscal 1989.

Co op proposes new chairman

CO OP, the troubled West German retailer, has proposed Mr Wilhelm Schaaf, the West German lawyer, to take over from Mr Hans Friderichs as the company's supervisory board chairman, Reuter reports.

Mr Friderichs stepped down at the end of May after a dispute with majority shareholder DG Bank – Deutsche Genossenschaftsbank – over the planned sale of Co op's Munich and Stuttgart shops. Mr Friderichs opposed the break-up of the group.

A vision which may soon become reality

Haig Simonian on Italy's Bancario San Paolo di Torino expansion drive into Europe

The hope of Istituto Bancario San Paolo di Torino, Italy's second biggest bank and by far its most progressive, to become a worthy challenger to Europe's biggest banks may be turning from pipe-dream to reality.

In recent weeks, it has announced a leasing joint venture with Banco Espirito Santo e Comercial de Lisboa in Portugal, the purchase of a stake in Banca Matutes, a small but growing Spanish bank, and the consolidation of its network in France into one of the country's biggest foreign banking operations. Add to that an increase in its holding in Hambros, the UK merchant bank, to more than 14 per cent, and San Paolo's optimism becomes clear.

San Paolo's expansion drive, which is beginning to recall the determined internationalisation of Deutsche Bank in the late 1980s, could take off once Italy's new Amato law, which will allow some public-sector banks such as San Paolo to float part of their capital, comes into operation – possibly as soon as the end of this year. The sale of a first 20 per cent tranche of stock could bring in as much as $1bn.

Mr Gianni Zandano, San Paolo's chairman for the past seven years, has little doubt that minority stakes in foreign financial institutions contribute more than just prestige, especially for a medium-sized bank such as San Paolo. Despite end-1989 group assets of more than L 136,000bn ($108bn), it is barely in the league of the top 40 banks internationally.

"To go abroad you need friends," he stressed. "You can't just barge in. You need people talking well about what you are and about what you could be in future."

San Paolo's 1 per cent in the Suez group was decisive in persuading the French concern to sell both its Banque Vernes and Banque Française Commerciale subsidiaries. The good relations may also have smoothed the path to the Finance Ministry which approved the deals, and allowed San Paolo to merge its acquisitions with its French operation to form the present 50-branch Banque Sanpaolo.

With little chance of repeating the act in less penetrable banking markets such as West Germany or the UK, San Paolo's focus is now on southern Europe.

Its 1 per cent stake in Crédit Commerciale de France (CCF) may not be enough to win it control of the French bank's Européenne de Banque subsidiary, likely to go to the UK's National Westminster instead, but it remains an important marker should CCF one day decide to sell off other subsidiaries, or should the bank come on the block. Meanwhile, last month's deals in Spain and Portugal promise further growth in these markets.

But, although southern Europe is the immediate area of San Paolo's retail banking interest, it is the stake in Hambros, and the more recent agreement with Salomon Inc, the parent company of the Wall Street investment bank, to buy reciprocal shares of up to 5 per cent, which has attracted the most international attention.

Foreign takeovers of City merchant banks may have become more acceptable following Deutsche Bank's purchase of Morgan Grenfell last December. But Mr Zandano denies that San Paolo is either interested or ready to buy Hambros at present. "Even if it were available, we wouldn't consider a takeover," he said.

Gianni Zandano: planning at least 200 new branches

Apart from financing and regulatory barriers, Mr Zandano described the Hambros stake as principally a route to know-how and contacts. Not only has the link given the bank better access to the City of London, it has also opened doors in places such as India, where Hambros has been active but the Italians barely present.

The bank has set up an Italian unit trust in conjunction with Hambros, with further expansion forecast soon. And Hambros was also the indirect route to last year's agreement between San Paolo and Guardian Royal Exchange (GRE), the UK insurance group which is also a Hambros shareholder, on a joint venture in the Italian insurance business.

With remarkably low rates of cover compared with its north European neighbours, Italy is seen as one of the continent's most promising markets. "The relationship with GRE wouldn't have come about as fast as it did if we hadn't known each other well before," explained Mr Zandano.

That leaves Salomon Brothers, in which San Paolo has now built up a stake of a little under 2 per cent. "We're really doing some very good business with them," said Mr Zandano.

So far, the fruits lie largely in the securities business, where the two are co-operating increasingly closely. With one of the highest savings ratios in the world, Italian demand for paper is substantial. Meanwhile, high yielding Italian government debt could make the domestic market increasingly attractive to foreigners, especially if further steps are taken to improving liquidity, Mr Zandano believes. And earlier this week Salomon led a $250m certificates of deposit issue for San Paolo.

But while its foreign activities have caught the limelight, San Paolo has been no slouch at home. Mr Zandano is reluctant to say whether his bank will eventually take full control of Crediop, the Rome-based long-term lending institution in which it bought a L 800bn 36.5 per cent holding last year.

But if and when that happens – as is widely expected – San Paolo will be further released from Italy's fraying 1936 law dividing short from medium and long-term lending. The bank has already merged its public works credit section with Crediop, which had a total loan volume of L 25,000bn and net earnings of L 231bn last year.

But it is retail banking which is set to provide San Paolo's biggest domestic boost. The bank already had a blueprint to open new branches before the Bank of Italy's surprise decision last March to remove the remaining restrictions on branching. "Our expansion programme for the years 1990-93 calls for the opening of at least 200 new branches at group level," said Mr Zandano.

Although the Amato law will help, finding the money for such investment – let alone foreign acquisitions – will be the snag. "The shortage of capital is becoming one of the major problems for European banks – and notably those in Italy, which can't tap the domestic capital market," said Mr Zandano. "The Amato law is a very important opportunity for San Paolo. It would be a mistake not to take advantage of it."

As a foundation, San Paolo has never had to pay dividends, meaning that retained profits have allowed it to keep capital ratios in line with the current surge in credit without having to hold lending back.

Retained profits will continue to play an important role even after flotation, Mr Zandano said. But the real fantasy will come from the additional funds generated from the bourse, which could form a war chest for takeovers. Mr Zandano and his colleagues are not so rash as to bring the battle to Deutsche Bank's own door, but the signs are that they will try to be increasingly worthy rivals elsewhere.

ABC bank improves to NKr71.5m

By Karen Fossli in Oslo

ABC BANK, Norway's biggest savings bank which is called the Union Bank of Norway in international operations, posted first four-month net profits, after credit losses, of NKr71.5m ($10.9m), much the same as in the same period last year.

The bank said that net interest earnings in the four-month period increased by two per cent to NKr534m. Profits, before credit losses, declined by 4.7 per cent to NKr224.6m, while credit losses in the period were reduced by 7.5 per cent to NKr153.1m.

ABC forecast that credit losses for the year would be lower than last year's NKr560m.

Securities earnings declined by 9 per cent to NKr143m, largely because of a 22 per cent reduction to slightly less than NKr5bn in the two portfolios.

Loans were reduced by 4.8 per cent to NKr30.6bn, while ordinary deposits rose by 7.6 per cent to NKr23.27bn.

ABC said that operating costs in the first four months of this year had risen by two per cent to NKr453m.

Mild winters hit Salomon

SALOMON, the French ski and golf equipment maker which has been hit by recent mild European winters, announced a FFr90.7m ($15.8m) loss for the year ended March 31 1990, Reuter reports.

The company also said it would cut its 2,588-strong workforce by between 100 and 250 before the end of August as part of a restructuring plan. Salomon had made a FFr20m provision in its yearly accounts to pay for the plan.

Salomon, which registered a FFr236.4m profit in 1988/89, said a third year of poor snow had badly hit the winter sports industry. It added that the 1990/91 business year was expected to be difficult given high stock levels with retailers.

Despite the loss, Salomon said it would ask shareholders to approve an unchanged FFr22 net dividend for 1989/90.

Turnover in 1989/90 totalled FFr3.26bn, compared with FFr3.25bn a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

ConAgra swoops for rich pickings in the US foods market

Roderick Oram looks at the group's expansion strategy in the wake of its $1.34bn purchase of the Beatrice brands and operations

SHORTLY after Mr Mike Harper took over as the chief executive of ConAgra in 1976 he held a strategic planning session for senior officers of what was then largely a flour miller. He presented each with a plaque showing two vultures perched on a branch.

"Patience my ass," one vulture said to the other. "I'm gonna go kill somebody."

With equal sense of purpose over the past 14 years Mr Harper has transformed the 71-year-old Omaha, Nebraska, company into the second largest foods group in the US after the Kraft General Foods division of Philip Morris.

ConAgra pulled off a key element of its expansion strategy last week with the purchase for $1.34bn of Beatrice, the once sprawling foods and consumer products group taken private in a $6.2bn leveraged buy-out in 1986 by Kohlberg Kravis Roberts.

Although KKR sold off dozens of Beatrice operations, it was left with a food company with sales of more than $4bn a year.

But it searched in vain for two years to find a buyer for the food core of Beatrice. The biggest stumbling block was the price. It wanted close to $3bn, even as buyers were growing less willing to pay hefty premiums for leading brands and finding it harder to raise the finance.

Potential buyers were also turned off by other financial factors. The building of Beatrice had left a costly legacy. Of the $3.5bn of Beatrice assets ConAgra is acquiring, more than half is goodwill arising from the premium over book value Beatrice paid for its acquisitions.

Moreover, the buy-out and dismemberment of Beatrice had also left a nasty hangover in the form of $987m of long-term debt, $552m of other liabilities and $419m in deferred taxes.

ConAgra was attracted, none the less, by the brands and operations that lay behind the numbers. The consumer food industry has three broad sectors – frozen, refrigerated and shelf products. ConAgra was well established in the first two but needed to buy or build more brands and distribution channels in the third.

"Distribution systems are the major asset, side-by-side with brands," said Mr Harper.

In particular, the Hunt-Wesson division, accounting for 47 per cent of Beatrice's sales, has both an array of good brands such as Wesson oils and Hunt's ketchup and a broad distribution system.

With the competition for supermarket shelf space growing stiffer because of a glut of products, ConAgra plans to use the muscle of the Beatrice distribution system to get its offerings to consumers.

Beatrice has a wide range of other food products such as Swift-Eckrich meats which complement ConAgra's existing lines.

ConAgra is no slouch at developing its own prepared food products, so will benefit from the new marketing muscle. A year ago it introduced Healthy Choices, a range of frozen dinners with low calorie, fat, cholesterol and sodium content. Sales could be as high as $300m this year, its first full year of national distribution.

ConAgra's range has won wide acceptance because "we have tried very hard to understand consumer needs and measure the way we meet them," Mr Harper said.

It has also carefully marketed them to convince buyers that the meals "are not just for old bald-head fellas," added the 62-year-old Mr Harper. He pushed the company to produce appetising, healthy, frozen meals after he suffered a heart attack in 1985. One inspiration to doubtful managers was a turkey chilli recipe made by Josie, Mr Harper's wife.

The acquisition will make ConAgra the broadest food company in the industry, with its operations running from farmers' fields to supermarket shelves. Its agri-products division sells chemicals, fertilisers, feed and other products and services to farmers. In the fiscal year ended May 1989 it generated $82m of operating profit on $2.24bn of sales.

Its trading and processing sector reported operating profits of $83.4m on sales of $1.87bn in fiscal 1989. A worldwide trader of agricultural commodities, it is also a leading processor of grains and other crops.

Its prepared foods division is a large producer of red meats and poultry, consumer frozen foods, dairy and seafood products, pet food and other items. It earned operating profits of $293.1m on sales of $7.08bn.

Most of Beatrice will fit in ConAgra's third segment, boosting the group's total revenues to about $20bn for the fiscal year ending May 1991. For the year just ended, analysts are forecasting sales of about $15.5bn and net profits of $230m or $1.85 a share, up from $11.8bn and $197.9m or $1.63 in fiscal 1989.

Mr Harper assured shareholders that the acquisition would be not dilutive and that ConAgra's return on equity would continue to grow at more than 20 per cent a year. Long-term debt will rise above 50 per cent to pay for the purchase but cashflow will quickly work it back to about 35 per cent, he added.

The stock market liked the logic of the purchase and ConAgra's stock has edged up some 8 per cent since it was announced. None the less, ConAgra's management will have to enliven the Beatrice brands if they are to match the high growth rates of ConAgra's existing businesses.

The key to the deal was clearly the price. KKR had been holding out for two years for a sum closer to $3bn. "At that price, Beatrice was out of reach" for potential buyers, said Mr Eric Gleacher, who advised ConAgra.

KKR never specified a price in the negotiations with ConAgra, Mr Harper said. "All KKR kept saying was we were too low," as ConAgra raised its bid from a low starting point.

There is no reason, though, for KKR to feel it has been picked clean by a vulture. It will end up with a stake of about 15 per cent in ConAgra and will have booked a 50 per cent annualised return on its equity investment during the four years it owned Beatrice.

Quebec sorts out the wood from the trees at a spruced-up Domtar

Robert Gibbens examines the challenge which faces the new senior management of restoring the Canadian conglomerate to profit

THE Quebec Government is trying to spruce up Domtar, thelacklustre pulp and paper, packaging and building materials group in which it has a 44.5 per cent stake, keeping it firmly off its privatisation list.

New senior management takes over in September and once again will try to push Domtar in fresh directions to reduce the cyclical impact of its three main business segments and restore profits to peak 1987 levels.

Mr Jean Campeau, 58, retiring after 10 years as head of the C$38bn (US$32bn) Caisse de Dépôt, which invests Quebec public sector pension and insurance premiums, becomes Domtar's full-time chairman.

Mr Campeau, a Quebec nationalist and by reputation a strong manager by consensus, succeeded in building returns at the Caisse, though some of his corporate investments have yet to win their spurs.

Jean Campeau: can be a very determined man

His latest coup was winning a family controlled real estate company worth C$800m from the embrace of a Toronto financial group.

Moving in as president of Domtar is Mr Pierre Desjardins, 48, a well-known marketing expert and now head of Labatt Breweries of Toronto, a Peter and Edward Bronfman company.

Domtar, once a conglomerate with chemicals and energy affiliates, was controlled by Mr E.P. Taylor, a Toronto financier, through his Argus Corporation in the 1960s and 1970s, and had worldwide ambitions.

The Quebec Government bought control through a combined 44 per cent interest via the Caisse and its industrial development agency. The objective was to keep the head office in Quebec.

The present Government of Premier Robert Bourassa included Domtar on its privatisation list after it came to power in 1985, but most approaches received either were too low in value or would have meant moving headquarters outside the province.

Domtar recovered swiftly from the disastrous high interest rate recession in North America in 1982 to post peak 1987 earnings of $153m or $1.64 a share on sales of $2.4bn. Profits declined steadily afterwards to $15m or 4 cents a share on sales of $2.5bn in 1989. This year's first quarter showed an operating loss of $10m on sales of $611m.

The company has been hit by the collapse in newsprint prices, weaker fine paper markets and a severe drop in demand for gypsum wallboard because of slowing North American construction.

Since 1987, the retiring president, Mr James Smith, and the retiring executive vice president, Mr Raymond Pinard, have rationalised Domtar, concentrating on its core: pulp and paper, timber, packaging and building materials.

The company is Canada's largest producer of fine papers, including business papers, and is North America's third largest maker of gypsum products – a highly profitable business when construction is strong.

It had invested nearly $1bn in a new fine-paper mill near Montreal, designed to keep costs competitive under Canada-US free trade.

Late in 1988, Mr Paul Desmarais, a Montreal financier who once tried to wrest control of Argus Corp, tried to persuade Mr Campeau at the Caisse to accept a merger of Domtar and his Consolidated-Bathurst (CB).

It would have created a world-scale company, with CB's newsprint base in Britain and a highly profitable Europa Carton subsidiary in West Germany and the Netherlands.

Mr Campeau insisted that Mr Desmarais and his Power Corporation of Canada were asking too much for CB. The deal fell through and Mr Desmarais sold his 40 per cent stake in CB to Stone Container of Chicago for more than $1bn. Finally Stone paid $2.6bn for all CB's stock, and was satisfied to gain an important toehold in Europe for 1992.

Mr Campeau can be very determined. Analysts believe his priority at Domtar will be to restore profits while keeping control within Quebec, and then to make Domtar a world-scale company.

Some speculate he has an ambition to buy back CB one day, or arrange a merger of Domtar with another group.

Quebec, Canadian and foreign groups have looked carefully at Domtar, and New Zealand's Fletcher Challenge has examined the US gypsum products group. However, bringing Domtar's profits back to par will take at least until 1992.

INTERNATIONAL COMPANIES AND FINANCE

S China Post issue to aid HK expansion

By John Elliott in Hong Kong

MR RUPERT MURDOCH'S South China Morning Post (Holdings) hopes to join with new shareholders from Singapore, including the Straits Times, to expand in Asia and bid for a Chinese language newspaper in Hong Kong, following the completion later this month of a share issue representing 49 per cent of its capital.

A few months ago, Post (Holdings), which publishes the colony's leading and highly profitable English language daily, failed to agree terms to buy the local Ming Pao Chinese language daily from the controlling Cha family. It is now thought to be interested in the Economic Journal, Hong Kong's leading Chinese language economic and financial daily.

The share issue is priced at HK$3.08 on a forecast price/earnings multiple of 10 for the current year to the end of this month, and 9.2 for next year. It will yield HK$2.26bn, putting a market capitalisation of HK$4.62bn ($594m) on the company.

Most of the HK$2.26bn will be invested elsewhere in Mr Murdoch's indebted News Corporation, which will retain a 51 per cent controlling stake. Singapore Press Holdings, owner of the Straits Times, is taking a 5 per cent stake. This is linked with a 9 per cent investment by United Overseas Bank, also of Singapore, whose Hong Kong joint venture offshoot, United IBV, is an underwriter. Another is China Development Finance company (Hong Kong), part of the Peking-controlled Bank of China group.

A further 17.5 per cent has been placed with institutional investors, and a public offer of 17.5 per cent is being made on Friday.

This indicates that Mr Murdoch has decided to reduce the exposure of his empire in Hong Kong, before the colony returns to Chinese sovereignty in 1997, in a deal which also produces immediate cash for his parent company. He is also acquiring partners that could help Post (Holdings) develop as the colony becomes more predominantly Chinese.

Links already exist with the Straits Times, which is a partner in Asia Magazine, a colour fortnightly managed and published by the Post for six Asian distribution centres. Mr Lyndley Holloway, deputy chairman and chief executive of the Post, was previously chief executive of Singapore Press Holdings.

A representative of UOB is expected to join the Post board, but Mr Holloway said he did not expect any attempt at interference from the Singapore Government via the Straits Times.

The market capitalisation of HK$4.62bn compares with a net amount of about HK$1.8bn spent by Mr Murdoch when he acquired the company in 1986-87.

Hambros Securities of Australia and Hambros Pacific of Hong Kong have put an open market value of HK$4.05bn on the company's mastheads. This compares with HK$1.82bn in 1987, according to Standard Chartered Asia, which is managing the share issue.

Fresh air blows into Bahrain SE

ABC's share offer will boost a young market, writes Peter Lieftinck

After several years in the doldrums, Arab financial markets are being given a breath of wind by the first international offering of shares by an Arab financial institution.

Applications for $350m worth of shares in the Bahrain-based Arab Banking Corporation (ABC), the Arab world's flagship bank, close on Thursday amid claims from some of the local underwriters that the issue will be heavily oversubscribed.

ABC aims to see its shares actively traded in both the Gulf and in Europe: ABC will be quoted on the Paris Bourse and on Bahrain's fledgling stock exchange. The issue, representing a quarter of the bank's equity, required a change in the bank's articles of association to enable the sale of stock to non-Gulf citizens. ABC is now owned one-third each by the governments of Kuwait, Abu Dhabi and Libya.

The issue will give an important boost to Gulf capital markets, according to Mr Abdulla Saudi, the bank's president. As much as 60 per cent of the issue will be sold to Arab investors, primarily in Saudi Arabia, Kuwait and the United Arab Emirates. Foreign bankers in Bahrain say that particularly keen interest has been shown by cash-rich Saudi investors.

"The shares have generated a lot of interest among our clients," said an official at Niscorp, an Abu Dhabi-based investment house which is a sub-underwriter of the issue. "Small investors have already paid up and larger investors have committed themselves to buy shares."


Abdulla Saudi: wants shares to trade in the Gulf and Europe

Nomura of Japan has applied for a broker's licence on the Bahrain Stock Exchange, a move which is being seen locally as proof of the island's role as a regional financial centre. In recent months Bahrain's standing has been shaken by the decision of several offshore banking units, including Société Générale, to pull out of Bahrain.

Foreign bankers there are pleased by the ABC placing. "It's a very welcome development in the evolution of capital markets in the Arab world," says Mr Zakir Mahmood, Gulf regional manager at Bank of America. "At present there are too few investment vehicles for local investors."

At ABC's headquarters in Bahrain, the Libyan-born Mr Saudi said the bulk of the proceeds raised would be used to finance the creation of a new subsidiary bank in Europe, which would be named ABC Europe. ABC has branches in London, Milan and Paris, and important units in Spain — where it controls Banco Atlántico — West Germany and Monaco.

Talks with the Bank of England on basing ABC Europe in London are advanced, although Mr Saudi would not elaborate on his development plans for the subsidiary.

Although most of the cash will be deployed in Europe, ABC is using the share issue to raise its profile in the Arab world. It has pitched the minimum investment at $700 (for 50 shares) in an attempt to attract small investors as well as large financial institutions.

Having achieved its ambition of becoming an international bank, ABC now wants to develop its regional business. Last year it began a joint venture in Jordan after buying a controlling interest in a local investment house called Jordanian Securities, which it renamed ABC Jordan. It acquired a full commercial banking licence, the first ABC venture in the Arab world to have done so.

In Bahrain, ABC operates as an offshore banking unit while its two other offshoots, in Tripoli and Tunis, are representative offices. Mr Saudi says the *Jordanian deal, in which local* investors hold a 40 per cent stake, will be followed by similar moves in other Arab countries.

He is angered by criticism that ABC has gone ahead with the share placement after having opted not to follow the Bank of *England matrix on provisions* for less developed country debt.

The Bahrain Monetary Agency, the island's central bank, endorses the Bank of England stipulations but has given institutions under its control until 1992 to comply.

ABC's provisions absorbed all its profits last year, but still stand at 42 per cent of Third World debt — well below the Bank of England minimum of 50 per cent. "It's our total means — assets, reserves and provisions — that matter," counters Mr Saudi. "Our controlling interest in Banco Atlántico alone would add a further 30 per cent to our provisions."

Malaysia lottery group to buy assets in restructure

By Lim Siong Hoon in Kuala Lumpur

SPORTS TOTO Malaysia, a lottery operator, is to undertake a restructuring that will involve a boost in equity and M$609m (US$226m) in acquisitions.

It is to buy assets mainly from two other companies in the corporate network of entrepreneur Mr Vincent Tan. These are Berjaya, its parent, and Inter-Pacific, the holding vehicle, which have expanded rapidly over the past two years *and accumulated M$2bn in* combined debts as a result.

Sports Toto is to acquire Berjaya's property and tourism assets for M$219m, while Inter-Pacific will pass to Sports Toto its 12 per cent stake in Magnum, another gambling group, for M$136m. Berjaya's stake in Sports Toto will drop from 55 per cent to 38 per cent. The rest of the funds will buy land and a textile business.

Mr Tan has been bidding for monopoly control of the profitable lottery operation, which he has had to share with Multi-Purpose, the largest shareholder in Magnum.

For the year to April, Sports Toto's turnover rose 18 per cent to M$253m. Pre-tax profit was up 11 per cent to M$46m and net profit 16 per cent to M$29m.

Its capital restructure is to begin with a one-for-four bonus issue. Sports Toto then plans to raise M$414m in a four-for-*one rights offering and M$346m* in two special issues for Malays and for its staff and agents. The offers are made at M$1.15 a share compared with M$4.90, the last traded price.

After the restructuring the group's capital base will rise from M$45m to M$343m, and shareholders' funds will jump from M$64m to M$724m. This could lift it into the ranks of Malaysia's 20 largest industrial groups in terms of market capitalisation.

Dao Heng in stake sale

By Joyce Quek in Singapore

DAO HENG Holdings, a Hong Kong-listed *company* controlled by the Malaysian Hong Leong group, yesterday sold a 24.9 per cent stake in First Capital Corporation (FCC), a Singapore property developer, for S$67.1m (US$36m) to Sembawang Shipyard, one of Singapore's main shipbuilding groups.

The deal involved the immediate resale of most of a 27.75 per cent holding in FCC offered to Dao Heng yesterday by United Industrial Corporation (UIC), which is divesting assets after its takeover of Singapore Land, another property company.

Dao Heng, which already held *51 per cent of FCC, sold* the parcel at the same S$1.65 per share purchase price.

Although it thus makes no profit, the transaction holds out the possibility of a strategic alliance linking Sembawang and the Kuwait Investment Office (KIO), which in partnership with the Hong Leong group controls 51 per cent of Dao Heng.

KIO may have initiated the offer to the government-controlled Sembawang, which has a supply base in Chiwan, China, an industrial estate in Sumatra, Indonesia, and maritime interests in the Gulf.

Low prices hit Golden Hope

GOLDEN HOPE, formerly Harrisons Malaysian Plantations, was hurt by low rubber, palm oil and cocoa prices in the year to March, writes Lim Siong Hoon.

Turnover fell 27 per cent to M$426m (US$158m), while pre-tax profit was down 51 per cent at M$99m. Crop production would be increased this year but profitability would remain the same unless prices improved, the group said.

The total dividend is 9 cents a share, against 16 cents.

INTERNATIONAL CAPITAL MARKETS

Treasuries fall ahead of batch of economic data

By Karen Zagor in New York and Deborah Hargreaves in London

US Treasury bonds moved modestly lower yesterday in tandem with overseas markets as traders remained cautious ahead of the economic data to be released during the week.

In late trading, the Treasury's bellwether 30-year bond was off ⅛ points at 103¾, yielding 8.44 per cent, after falling ⅛ points earlier in the day. At the shorter end of the yield curve, the three-year issue was down ⅛ points to yield 8.39 per cent.

The Federal Reserve added reserves to the banking system by arranging three-day system repurchase agreements when Fed funds, the rate at which banks lend to each other, were trading at 8¼ per cent. The operation, which follows weekend system repurchase agreements on Friday, was widely expected and was seen as a technical move rather than a change in monetary policy.

Volume on the US bond market is expected to remain thin until Wednesday, when the data on retail sales in May will be released.

This will be followed by the May producer price report on Thursday and the May consumer prices on Friday. Analysts expect all three reports to show gains of between 0.1 per cent and 0.3 per cent.

The figures will be watched closely for signs of economic growth, the rate of inflation and for possible clues to the future course of the Federal Reserve's interest rate policy.

■ THE West German bond market saw a dull day as cash bonds were marked 55 pfennigs lower and yields crept above 9 per cent in a market dominated by technical traders.

Some follow-through from last week pushed futures prices down, but there was nothing new to move the market.

With an eye to their technical charts, futures traders pushed the September bund contract down to 81.84 at one stage, but prices recovered slightly towards the close of the market to 81.92 from Friday's close of 82.09. More inflation figures are due from Germany this week and the market remains wary of any more bearish news.

In addition, the Bundesbank's planned repo has been brought forward to today from Wednesday, the bank will meet on Wednesday and most of Germany is on holiday on Thursday. Against this background, the market is seeing little retail buying and is likely to remain in a pessimistic mood for most of the week.

The torpor in Germany spread into the French market and the spread between the two markets has begun to widen again to 100 basis points. Although the May inflation figure will be released in France this week, a level of a 3 per cent yearly rate has already been leaked and is unlikely to see much market reaction.

The French market continues to track the fortunes of the franc since the Government has boxed itself into a corner with interest rate cuts and can only manage the currency with central bank intervention.

■ THE release of May retail sales figures yesterday showing an annual rise of 1.2 per cent sent shivers through the gilt-edged securities market, where dealers fear that high interest rates are failing to stifle consumer demand. The rise in producer output prices sent gilt prices falling. The 11¾ per cent bond maturing in 2003/07 fell 8 ticks to 100.08 with a yield rising to 11.71 per cent.

■ CANADIAN bonds rose in response to the signing of the Meech Lake accord over the weekend. Ten-year bonds added 75 cents in price to trade on a yield of 10.44 per cent, but as uncertainties about the agreement crept into the market later in the day, the bonds lost all their gains.

■ NOBEL Industrier, the Swedish group, is to issue a DKr300m, three-year bullet bond on the Copenhagen bourse, Reuter reports.

The bond, carrying a 9 per cent coupon with a maturity of five years, may be followed by other foreign issues. Lead manager is Unibank.

Nobel shares were listed on the Copenhagen Stock Exchange late last year. The group reported 1989 net profit of SKr1.4bn on turnover of SKr22.09bn.

Yields on Danish listed corporate bonds are generally compared with yield of 10 per cent on the 1993 government bullet bond.

■ SOCIETE Nationale des Chemins de Fer Francais (SNCF), the state-owned railway, is raising FFr2bn through a two-tranche domestic bond, Reuter reports.

According to lead manager Crédit Lyonnais, the first tranche of FFr1.5bn, which may be increased to as much as FFr1.8bn depending on investor demand, is fungible with SNCF's 9.80 per cent bond due 2002. Issue price is 97.689 to yield 10.13 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-26	-05/32	12.66	12.48	13.33
		10.500	5/99	91-21	-08/32	12.05	11.96	12.54
		9.000	10/08	83-11	-14/32	11.14	10.99	11.19
US TREASURY *		8.875	05/00	102-20	-01/32	8.48	8.43	8.66
		8.750	05/20	103-07	-02/32	8.45	8.42	8.63
JAPAN	No 119	4.600	6/99	87.1626	-0.358	7.14	6.90	7.03
	No 2	5.700	3/07	92.8339	-0.146	6.60	6.50	6.98
GERMANY		7.750	02/00	92.8500	-0.100	8.85	8.64	8.48
FRANCE	BTAN	9.000	02/95	95.7977	-0.138	10.14	9.98	9.88
	OAT	8.500	03/09	91.6900	-0.080	9.81	9.62	9.50
CANADA *		9.750	06/99	94.6900	-0.050	10.69	10.63	10.91
NETHERLANDS		8.000	05/00	99.7400	-0.230	9.04	8.90	8.81
AUSTRALIA		12.000	7/99	92.1664	+0.001	13.53	13.47	13.44

London closing. *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98⅞	99⅛		9.43
ALBERTA PROVINCE 9 3/8 95	600	100⅜	100⅞	-⅛	9.20
AMERICAN GENERAL 9 3/4 95	100	96⅞	98⅛	-⅛	10.64
AUSTRALIA 11 1/4 08	100	108	109	+⅛	9.95
AUSTRIA 8 1/2 00	400	95	95⅜	-⅛	9.29
BANK OF TOKYO 8 3/8 96	100	95¼	95⅝	-⅛	9.49
BELGIUM 9 1/8 92	400	100⅛	100⅝		9.02
BFCE 7 3/4 97	150	92⅝	93	-⅛	9.26
BNP 8 5/8 94	300	98	98⅜	-⅛	9.21
BP CAPITAL 9 5/8 93	150	100⅝	101⅛		9.41
CANADA 9 96	1000	100⅛	100½		8.92
CCCE 9 1/4 95	300	100⅜	100⅞	-⅛	9.13
COUNCIL EUROPE 8 96	100	94⅝	94⅞	-⅛	9.23
DENMARK 0 98	250	48⅛	48⅝	-⅛	9.39
DENMARK 8 1/4 94	150	96⅞	97⅜		9.20
ECSC 8 1/4 96	193	95⅛	95⅝	-⅛	9.24
EEC 7 1/4 93	250	95⅛	96⅛		9.05
EIB 7 3/4 96	250	93⅝	93⅞		9.22
EIB 11 91	125	101⅛	102		9.06
ELEC DE FRANCE 9 98	200	99⅛	99⅝	-⅛	9.15
EUROFIMA 9 1/4 96	100	100⅝	101⅛	+⅛	9.06
EXPORT DEV CORP 9 1/2 98	150	101⅛	101⅝	-⅛	9.27
FINLAND 7 7/8 97	200	92⅝	93⅛	-⅛	9.46
FINNISH EXPORT 9 3/8 95	200	100⅞	101⅛	-⅛	9.17
FORD MOTOR CREDIT 9 1/2 93	300	100⅜	101⅛		9.20
GAZ DE FRANCE 12 1/4 93	175	103⅞	104⅜		10.75
GEN ELEC CAPITAL 9 3/8 96	300	101	101⅜		9.15
GMAC 10 92	250	100⅜	101		9.70
HALIFAX 9 1/2 93	200	100⅛	100⅝	-⅛	9.40
IBM WORLD TRADE 7 5/8 93	150	95⅜	95⅝	+⅛	9.27
IND BK JAPAN FIN 7 7/8 97	200	92⅛	92⅝	-⅛	9.43
INTER AMER DEV 7 5/8 96	200	92⅛	92⅝	-⅛	9.33
ITALY 8 1/2 94	1500	97⅛	97⅜	-⅛	9.16
JAPAN DEV BK 8 94	150	96⅛	96⅝		9.13
KANSAI ELEC PWR 10 96	350	102⅛	102⅝	-⅛	9.46
LTCB 8 5/8 93	150	98⅜	99⅛		9.18
NEW ZEALAND 8 93	100	96⅝	97		9.38
NIPPON CRED BK 9 3/4 93	150	101	101⅜	-⅛	9.35
NIPPON TEL & TEL 9 3/8 95	200	100⅛	101⅛	-⅛	9.15
NISSAN ACCEPT CORP 9 1/4 91	150	99⅛	100⅛	-⅛	9.43
OLYMPIA & YORK 8 1/4 96	435	90⅛	92	-⅛	10.47
ONTARIO HYDRO 11 5/8 94	200	106⅝	107⅛		9.37
OSTER KONTROLLBANK 8 1/8 93	200	97⅛	98⅛	-⅛	9.05
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	46⅝	-⅛	9.42
QUEBEC HYDRO 9 3/4 98	150	101	101⅛	-⅛	9.55
QUEBEC PROV 9 98	200	97⅛	97⅝	-⅛	9.53
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.65
KREDIETCORP 7 93 LFr	1000	93	94		9.66
WORLD BANK 8 96 LFr	1000	93	94		9.61
AMRO BANK 6 1/4 92 Fl	150	94	94⅝		9.40
DENMARK 8 1/2 91 Fl	100	99	99⅝		9.65
HEINEKEN 7 5/8 94 Fl	150	95⅛	96⅛		8.99
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	94⅝		9.58
RABOBANK 6 1/2 92 Fl	100	93⅝	94⅛		9.57
WORLD BANK 6 1/4 91 Fl	100	97⅛	98		10.11
ALBERTA PROVINCE 10 92 C$	500	95⅛	95⅝		12.62
BCE INC 9 5/8 98 C$	300	93	93⅜		12.65
BK MONTREAL REALTY 10 3/4 92 C$	75	96⅛	96⅝		12.60
BRITISH COLUMBIA 12 1/4 91 C$	100	98⅝	99⅛	+⅛	13.49
EIB 10 1/8 98 C$	130	91	91⅜		11.95
FORD CREDIT CANADA 10 94 C$	100	92⅛	92⅝		12.43
GENERAL ELECT CAP 10 1/4 93 C$	175	94⅛	94⅝		12.48
MONTREAL TRUSTCO 8 1/2 92 C$	100	92⅛	93⅛		13.18
NEW BRUNSWICK 10 3/4 01 C$	150	93⅛	93⅝	-⅛	11.85
ONTARIO HYDRO 10 7/8 99 C$	500	95⅛	96		11.68
ROYAL TRUSTCO 10 1/4 95 C$	100	93⅛	94⅛		12.91
SWEDEN 9 3/4 93 C$	250	94⅛	94⅝		12.20
TORONTO 11 99 C$	75	95⅛	95⅝		11.88
AUSTRIA 7 3/8 93 Ecu	125	93⅛	94	-⅛	10.13
CNT 7 3/8 93 Ecu	250	92⅛	93⅛	-⅛	10.31
CREDIT LYONNAIS 9 96 Ecu	125	94⅛	94⅝		10.34
DENMARK 7 5/8 96 Ecu	250	87⅛	87⅝		10.61
EEC 7 5/8 94 Ecu	200	91⅛	91⅝		10.57
EIB 10 97 Ecu	500	98	98⅛		10.41
ITALY 10 3/4 00 Ecu	1000	101⅛	101⅝	-⅛	10.47
SWEDEN 7 1/2 93 Ecu	250	92⅛	92⅝	-⅛	10.26
BMW FINANCE 14 1/2 92 A$	100	100⅛	101⅛		14.10
COUNCIL EUROPE 13 93 A$	50	98⅛	99⅛		13.50
DEUTSCHE BK FIN 12 1/4 95 A$	185	93⅛	93⅝	+⅛	14.16
EKSPORTFINANS 12 3/8 95 A$	75	92⅛	92⅝		14.67
FORD CRED AUST 13 93 A$	50	96⅛	97⅛		14.44
HEINZ 12 3/4 91 A$	100	97⅛	97⅝	-⅛	15.89
ICI 15 1/2 92 A$	100	100⅛	101⅛	+⅛	15.82
NAT AUSTRALIA BANK 14 3/4 94 A$	150	99⅛	100⅛		14.81
NATWEST AUST BK 13 3/4 91 A$	50	98⅛	98⅝		15.01
STATE BK NSW 14 1/4 99 A$	100	99⅛	99⅝		14.34
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91⅝	-⅛	13.46
EIB 10 97 £	300	87⅛	87⅝		12.91
FORD CREDIT FUNDING 9 5/8 93 £	50	90⅛	90⅝	+⅛	13.92
INTER AMER DEV 11 3/8 95 £	75	94⅛	95⅛		12.90
ITALY 10 1/2 14 £	400	85	85⅝	-⅛	12.48
LAND SECS 9 1/2 07 £	200	73⅛	74⅛		13.49
[illegible]					

DEUTSCHE MARK STRAIGHTS | FLOATING RATE NOTES | SWISS FRANC STRAIGHTS | CONVERTIBLE BONDS | YEN STRAIGHTS: [illegible]

† No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month for US dollars). C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 11, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.8671	34.7940	38.0998
Albania	(Lek)	10.09	5.9845	3.5372	3.8733
Algeria	(Dinar)	14.2647	8.4606	5	5.4758
Andorra	(Fr Fr)	9.5975	5.6924	3.3645	3.6842
	(Sp Peseta)	176.60	104.7449	61.9106	67.7927
Angola	(Kwanza)	50.979u	29.9180	17.8716	19.5696
Antigua	(E Carr $)	4.5468	2.6967	1.5939	1.7454
Argentina	(Austral)	8483.15	5031.5243	2973.9361	3256.4875
Aruba	(Florin)	3.0144	1.7879	1.0567	1.1571
Gabon	(CFA Fr)	479.88	284.6263	168.2313	184.2149
Gambia	(Dalasi)	13.9523	8.2753	4.8912	5.3559
Germany East	(Ostmark)	2.8525	1.6918	1	1.0950
Germany West	(DMark)	2.8525	1.6918	1	1.0950
Ghana	(Cedi)	549.47	325.9015	192.6275	210.9289
Gibraltar	(Gib £)	1.00	0.5931	0.3505	0.3838
Greece	(Drachma)	279.55	165.8066	98.0017	107.3128
Greenland	(Danish Krone)	10.8575	6.4397	3.8063	4.1679
Grenada	(E Carr $)	4.5468	2.6967	1.5939	1.7454
Guadaloupe	(Local Fr)	9.5975	5.6924	3.3645	3.6842
Pakistan	(Pak. Rupee)	36.20	21.4709	12.6906	13.8963
Panama	(Balboa)	1.6860	1	0.5910	0.6472
Papua New Guinea	(Kina)	1.6279	0.9655	0.5706	0.6249
Paraguay	(Guarani)	2094.83	1242.4851	734.3838	804.1573
Peru	(Inti)	41010.84	24324.3416	14377.1568	15743.1247
Philippines	(Peso)	37.30	22.1233	13.0762	14.3186
Pitcairn Is	(£ Sterling)	1.00	0.5931	0.3505	0.3838
	(NZ $)	2.9148	1.7288	1.0218	1.1189
Poland	(Zloty)	16012.00	9497.0344	5613.3216	6146.6410
[illegible]					

Special Drawing Rights June 8, 1990 United Kingdom £0.777760 United States $1.31024 Germany West D Mark 2.21968 Japan Yen N/A European Currency Unit Rates June 11, 1990 United Kingdom £0.721113 United States $1.21637 Germany West D Mark 2.05567 Japan Yen187.686

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (Basic rate now quoted per £100.00 Sterling. Previous rate (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (s) convertible rate; (t) parallel rate; (u) Selling rate; (v) Tourist rate (w) Currencies fixed against the US Dollar; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, June 11, 1990.

INTERNATIONAL CAPITAL MARKETS

Italian railway sets sights on $500m 10-year issue

By Tracy Corrigan

FERROVIE dello Stato, the Italian state railway, is thought to be taking bids for a $500m 10-year Eurobond offering, possibly extendible for a further 10 years. The deal is likely to be launched after the rush of expected US economic data this week.

Ferrovie has an outstanding issue of 9⅞ per cent bonds maturing in 1999, extendible to 2009, which was launched last year by Morgan Stanley.

In a quiet market yesterday, two new issues emerged in the Ecu sector and at least two more deals are said to be in the pipeline.

Japan Development Bank and Caisse Nationale des Autoroutes are both thought to be planning issues of around Ecu150m over five years.

The Japanese government-guaranteed Electric Power Development brought a Ecu100m offering of 10½ per cent bonds due 1995. The bonds, launched by IBJ International, were easily placed with mainly European investors, amid expectations that Japanese interest would follow, underwriters said. The issue was quoted at less 1.80 locked, within full fees of 1⅞ per cent.

Also in the Ecu sector, Crédit Local de France brought a small Ecu50m deal with redemption linked to the DAX German stock index.

The issue will not be actively traded, according to Société Générale, the lead manager.

Elsewhere, a $100m fungible issue of 8.96 per cent one-year bonds for Volvo Group Finance Europe is essentially a money-market instrument, according to lead manager Merrill Lynch.

The Student Loan Marketing Association global issue of US Treasury bill-linked short-term floating-rate notes, priced after the close of European markets yesterday, had already been extensively pre-marketed.

Around $150m of the $600m issue is expected to be placed in Europe, with the notes reported to be firm at the indicated range of 30 to 35 basis points above the Treasury bills. When-issued dealing begins at the start of New York trading today.

In the Swiss market, the World Bank launched a SFr150m 10-year deal which was quickly increased to SFr200m on the back of steady demand. The bonds, issued via Crédit Suisse, were quoted inside full fees of 2 points at less 1⅞ bid.

Johnson & Johnson issued a SFr150m private placement of 7 per cent four-year notes via Crédit Suisse. The deal was quoted at less 1¼ bid. Fees for co-managers are 1¼ points.

Caisse Centrale de Co-operation Economique's SFr150m 7⅛ per cent 15-year issue ended its first day of secondary market trading at 101, compared with an issue price of 101⅛%, well inside fees.

■ Laing Properties is offering to buy back its £75m issue of 11⅞ per cent bonds due 2010, at a yield spread 150 basis points above the 9 per cent gilt due 2008, up to a maximum price of 93.

UBS Phillips & Drew is arranging the buyback programme, which runs until 15 June.

The bonds were trading at a price of about 85 prior to the announcement of the buyback. Over £30m worth of the bonds were bought back yesterday, mostly at a price of 88.3 to 89.4, UBS P&D said.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Electric Power Dev.Co.(a)♦	100	10½	101⅞	1995	1⅞/1¼	IBJ Int.
Credit Local de France(b)♦	50	(b)	100	1995	n/a	Societe Generale
US DOLLARS						
Volvo Group Finance(c)♦	100	8.96	100	1991	n/a	Merrill Lynch Int.
SWISS FRANCS						
World Bank(a)♦	200	7⅛	102	2000	2	Credit Suisse
Johnson & Johnson(a)★★♦	150	7	101⅝	1994	1¼	UBS
YEN						
Minebea Co.(d)‡♦	23bn	-40bp	100.10	1995	40/25bp	Nomura Int.

‡Floating rate notes. ★★Private placement. ♦Final terms. a) Non-callable. b) Launched in two tranches: one with a zero coupon and the other paying 4¾%. Redemption linked to DAX stock index. c) Fungible with existing $150m extendible note due 1990/2000. d) Coupon pays 40bp under Japanese long-term prime rate. Non-callable.

DTB plans five extra contracts

DEUTSCHE Terminbörse (DTB), the West German futures market, plans to add five products to its current range of options on 14 leading equities, Reuter reports.

The proposed products include futures contracts on a five-year government bond or Bund, and an option on the 30-share West German DAX index, both to be introduced on September 10 this year.

No date has been set for the start of the other derivatives – a futures contract on domestic three-month interest rates, an option on DAX futures and an option on Bund futures.

The DTB board also agreed to limit the spread between bid and offered prices which marketmakers may set. The permitted spread would increase according to the price of the option.

Special banded tariffs had been set for Allianz options, which have been undertraded since the DTB opened in January.

Dealers said the high Allianz price, which closed at DM2,535 yesterday, made it unpopular.

Malaysian SE seeks foreign investors

By Deborah Hargreaves

THE Kuala Lumpur Stock Exchange is seeking foreign investors as it refines its internal operating procedures following the recent split with the Singapore stock market.

Some 20 per cent to 30 per cent of the activity in Kuala Lumpur, which has a trading volume of about 40m shares a day, is currently accounted for by overseas investors. Country funds have proved a popular way for foreigners to gain access to emerging stock markets and 44 have been set up to invest in Malaysia, but the exchange is also open to direct foreign participation.

As part of its bid to attract foreign involvement, Malaysia has also allowed foreign brokers to build up to a 49 per cent stake in local brokerage houses. Several overseas brokers, such as Smith New Court and the US house, John Hancock, are established in the Malaysian market and many others have set up representative offices in Kuala Lumpur.

In another move to strengthen its local brokerage community, the exchange has raised its capital requirements for brokers from M$2m to M$20m. So far, 10 of Kuala Lumpur's 46 stockbrokers have complied with the higher capital requirements and the others are asking for an extension of the grace period for finding the money.

Mr Nik Din, chairman of the Kuala Lumpur exchange, explains that the increased capital requirements form just one of the stages for strengthening the Malaysian market. The exchange has adopted a system for automated trading and is working on improvements to its clearing system. It plans to launch a central depository clearing system by January next year.

The Malaysian market currently lists 265 public companies and this list is growing as the Government continues its programme of privatisation. The largest privatisation project will come at the end of the year when the Malaysian telecom business will be sold. This will be followed by other issues for electricity, water and a big container terminal.

Austrian group plans flotation bond

By Andrew Freeman

AUSTRIAN Industries, the large state-owned industrial group, is preparing to launch an innovative "going public" bond issue with equity warrants as a precursor to its eventual flotation on the Vienna stock market.

The structure, previously used in the Swiss foreign bond market, is a clear signal of the borrower's intention to open its ownership to public investors. Mr Hugo Sekyra, chairman and chief executive, said in London yesterday that the group was strengthening its core businesses prior to the flotation.

The Sch3bn issue is expected to be launched via Creditanstalt in Vienna on June 22. The bonds will have a five-year maturity and are expected to be priced with a coupon of around 6 per cent. The high equity content allows the borrower to raise funds at an attractive level.

Each bond will carry one coupon warrant, giving investors the right to subscribe for shares in Austrian Industries' initial public offering, planned for 1992. If the group does not issue shares during the lifetime of the bonds, investors gain a redemption pick-up giving them a yield above the equivalent return from Austrian government paper.

In the case of the expected share offering, investors can subscribe for shares at a 5 per cent discount to the initial offering price. The warrants will have an exercise period of 13 months beginning on the first day of listing of the shares on the Vienna market. Listings are planned for other international centres, including Frankfurt and London. One third of the deal will be placed outside Austria by a group of 15 banks.

Austrian Industries, which includes steel, aluminium, engineering, chemicals, oils and electronics companies, has had a troubled history. In the early 1980s it sustained heavy losses and in 1986 was subject to laws to enforce restructuring and reduce political interference in management.

In 1987, Mr Sekyra declared the group almost bankrupt, since when it has sold more than 40 of its peripheral businesses. Last year it returned profit for the first time since 1981 and had combined group turnover of Sch140.7bn. The group's domestic production of Sch120.3bn was equivalent to 14 per cent of the gross total output of Austrian industry.

● In West Germany, the Republic of Ireland has privately placed a DM100m 10-year loan backed by promissory notes through Deutsche Bank. The deal, part of a series of such issues by Ireland, was swapped into floating-rate D-Marks at a rate below the London interbank figure.

DERIVATIVES MARKETS

Senate warns on futures reform

By Barbara Durr in Chicago

SWEEPING deregulation of the US futures industry could result from approval of the Treasury Department's proposed legislation.

This could mean cash-settled US Treasury bond futures being traded in casinos, sitting alongside blackjack tables and slot machines, according to Senator Patrick Leahy, chairman of the Senate Agriculture Committee, overseer of the Commodity Futures Trading Commission (CFTC), the futures regulator.

Senate action on the proposal, which was sent to Congress on June 5, could come this week.

As well as a shift of regulatory authority over stock index futures from the CFTC to the Securities and Exchange Commission (SEC), the Treasury's legislative project includes a loosely-worded amendment to the Commodity Exchange Act. If this amendment were enacted, a loophole could open for unregulated, off-exchange trading.

The Treasury would amend the Commodity Exchange Act to exempt from federal commodity laws any transaction "in or involving" a security, foreign currency or certain other instruments if they did not occur on a commodity exchange.

Opponents say this could mean, for example, that the Chicago Mercantile Exchange could decide to cancel CFTC regulation of its currency futures pits. There is no provision for the SEC authority to regulate those products.

Chicago's two main futures exchanges oppose the Bush administration's legislative project because they do not want to be regulated by two agencies, which would drive up the cost of trading. They are opposed to SEC oversight of stock index futures margins, which they believe the agency would raise – thus pushing business overseas.

The Treasury's proposal is expected to be attached as an amendment to the Senate Bill for reauthorisation of funding for the CFTC.

Norway upholds options ban

By Karen Fossli in Oslo

NORWAY'S regulators yesterday upheld a ban prohibiting Norwegian brokers from trading in index options on Norwegian securities in London.

This is the second time that Norway has intervened in trading on OM London, an offshoot of the Swedish OM options market. The first time, Norwegian brokers were stopped from trading options on Norwegian shares on OM London.

A Norwegian law banning Norwegian brokers from trading options on their own account on stock markets outside Norway was introduced in 1989 but not strictly enforced because of the low level of trading activity.

This ban, now re-imposed, was lifted late last month when the Oslo Stock Exchange launched its own call and put options trading on five Oslo bourse-listed stocks.

The latest intervention by Norwegian regulators is being widely interpreted as being designed to buy time until share index options trading can be established by the Oslo Stock Exchange.

"This is not in the spirit of a free market place and we really oppose their action," said one Oslo broker. OM London said that the Norwegian regulators had demanded a power of veto over its share index options trading, although OM London said it did not think this was legal, since the activity would be taking place outside Norway.

In Oslo yesterday just under 1,700 contracts were made.

EIB plans to double capital base

By Lucy Kellaway in Luxembourg

THE European Investment Bank is to double its capital base to Ecu57bn in response to the increased demand from the Community and from eastern Europe.

The Bank, which agreed last year to grant Ecu1bn in loans to Poland and Hungary, said it would be ready to start lending money to East Germany once German monetary union had taken place on July 1.

Dr Ernst-Gunther Broder, the EIB president, told finance ministers yesterday that the EIB would also be willing to lend to other eastern European countries, although approval from ministers would be needed.

The capital increase would tide the bank over five years of growth, Dr Broder said. In addition to new lending to eastern Europe, the bank is facing calls for loans from the Mediterranean countries and from the African and Caribbean states.

Lending to EC countries has grown by 58 per cent in the last two years.

The capital increase will be implemented through a Ecu500m contribution from member states, with the bank itself providing Ecu1.225bn from additional reserves.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jun 11 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Jun 8 Index No.	Thu Jun 7 Index No.	Wed Jun 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	898.06	-0.7	12.92	5.07	9.38	17.22	904.76	907.52	896.95	957.45
2	Building Materials (27)	1101.09	-0.8	14.21	5.45	8.73	25.77	1109.98	1116.29	1110.97	1193.37
3	Contracting, Construction (36)	1420.06	-0.1	17.07	5.78	7.63	34.64	1421.23	1413.21	1401.58	1651.46
4	Electricals (10)	2601.87	-0.6	10.93	5.16	11.25	61.43	2617.40	2641.56	2593.35	2831.34
5	Electronics (29)	1887.17	-0.8	9.64	3.95	13.43	21.38	1903.27	1914.17	1882.37	2207.91
6	Engineering-Aerospace (8)	491.33	-0.4	13.19	4.74	9.03	9.42	493.39	497.13	489.88	0.00
7	Engineering-General (43)	498.23	-0.7	11.54	5.10	10.48	8.93	501.91	503.11	494.73	0.00
8	Metals and Metal Forming (6)	492.00	-1.4	24.03	6.34	4.71	2.46	498.78	495.43	486.20	538.58
9	Motors (16)	365.89	-0.2	15.12	6.20	7.72	9.81	366.53	366.79	359.77	324.80
10	Other Industrial Materials (24)	1637.56	-1.0	10.82	4.87	10.67	34.38	1653.42	1659.16	1647.06	1573.80
21	CONSUMER GROUP (179)	1303.92	-0.8	9.35	3.86	13.22	19.74	1313.82	1319.64	1306.04	1212.11
22	Brewers and Distillers (21)	1604.15	-0.3	9.55	3.61	12.66	23.35	1609.70	1607.11	1596.54	1314.42
25	Food Manufacturing (20)	1092.73	-1.1	10.35	4.35	11.97	17.76	1104.72	1114.89	1102.49	1070.83
26	Food Retailing (16)	2472.38	-1.6	9.40	3.33	13.67	33.61	2513.17	2526.86	2496.51	2288.86
27	Health and Household (15)	2591.14	-0.6	6.64	2.67	17.92	24.15	2607.26	2632.47	2585.75	2202.46
29	Leisure (31)	1477.57	-0.6	9.90	4.18	12.28	24.36	1486.07	1492.65	1479.82	1639.08
31	Packaging & Paper (13)	599.45	-0.7	11.22	5.71	10.99	11.83	603.45	603.28	603.36	574.83
32	Publishing & Printing (16)	3461.61	-1.0	10.36	5.31	12.10	79.26	3498.28	3494.97	3460.86	3581.48
34	Stores (35)	819.81	-0.6	10.86	4.56	11.78	15.30	824.94	827.05	823.11	797.54
35	Textiles (12)	516.68	+0.3	12.24	6.92	10.47	16.06	515.10	512.18	510.41	533.99
40	OTHER GROUPS (104)	1181.08	-0.7	10.96	4.96	10.97	14.99	1189.45	1194.28	1181.58	1121.48
41	Agencies (17)	1668.65	-0.7	6.04	2.37	20.04	14.99	1681.15	1685.06	1661.54	1370.82
42	Chemicals (23)	1299.41	+0.1	10.85	5.09	10.79	31.17	1297.58	1303.63	1282.90	1266.69
43	Conglomerates (14)	1688.07	-0.8	9.99	5.86	12.03	26.40	1702.47	1699.99	1679.32	1574.98
44	Transport (13)	2252.73	-0.8	10.68	4.47	11.91	40.07	2271.48	2278.75	2247.22	2458.68
46	Telephone Networks(2)	1188.35	-0.7	10.98	4.63	11.85	0.00	1196.31	1209.85	1200.43	1143.75
47	Water(10)	1919.81	-0.2	18.11	7.05	6.12	0.00	1923.32	1934.36	1927.66	0.00
48	Miscellaneous (25)	1782.06	-1.6	12.14	4.94	9.39	36.78	1811.32	1812.30	1801.01	1630.26
49	INDUSTRIAL GROUP (482)	1177.68	-0.7	10.72	4.50	11.36	18.09	1186.39	1191.11	1178.32	1141.98
51	Oil & Gas (18)	2277.85	-0.3	12.45	5.46	10.61	46.50	2284.99	2287.74	2289.61	2058.99
59	500 SHARE INDEX (500)	1270.38	-0.7	10.96	4.63	11.25	20.39	1279.05	1283.66	1271.87	1219.77
61	FINANCIAL GROUP (107)	804.21	-0.7	–	5.67	–	20.36	809.81	815.59	812.53	730.83
62	Banks (9)	851.24	-1.0	19.28	6.31	6.79	25.62	860.25	870.36	876.80	728.40
65	Insurance (Life) (7)	1416.26	-0.9	–	5.18	–	36.94	1429.75	1435.25	1421.58	1065.51
66	Insurance (Composite) (6)	700.45	+0.3	–	5.90	–	19.43	698.49	703.54	694.08	563.49
67	Insurance (Brokers) (7)	1044.43	-1.6	8.28	6.25	15.90	27.41	1061.16	1065.79	1054.24	967.81
68	Merchant Banks (7)	450.38	-0.5	–	4.40	–	8.55	452.54	446.56	444.61	329.94
69	Property (47)	1085.37	-0.7	8.28	4.32	15.48	17.70	1093.48	1100.50	1087.12	1299.08
70	Other Financial (24)	304.55	-0.2	12.09	6.30	10.80	5.96	305.21	305.32	303.07	362.52
71	Investment Trusts (67)	1215.26	-0.6	–	3.20	–	15.14	1222.47	1226.25	1218.23	1142.15
91	Overseas Traders (5)	1423.34	-0.2	9.75	6.42	12.28	43.49	1425.69	1412.14	1419.03	1292.41
99	ALL-SHARE INDEX (679)	1158.15	-0.7	–	4.75	–	20.15	1166.01	1170.69	1161.07	1098.86

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Year ago
FT-SE 100 SHARE INDEX‡	2348.8	-17.8	2356.4	2338.5	2366.6	2378.4	2358.5	2380.1	2379.0	2138.3

FIXED INTEREST

	PRICE INDICES	Mon Jun 11	Day's change %	Fri Jun 8	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.14	-0.08	115.36	0.13	5.61
2	5-15 years	120.94	-0.28	121.28	–	5.36
3	Over 15 years	122.61	-0.47	124.06	0.86	5.77
4	Irredeemables	140.77	-0.73	141.81	–	6.36
5	All stocks	120.92	-0.23	121.32	0.12	5.55
	Index-Linked					
6	Up to 5 years	145.65	-0.02	145.68	–	1.49
7	Over 5 years	138.25	-0.12	138.55	0.14	1.51
8	All stocks	138.69	-0.12	138.97	0.13	1.51
9	Debentures & Loans	98.21	-0.15	98.58	0.22	5.64
10	Preference	73.89	+0.72	73.46	0.10	3.09

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jun 11	Fri Jun 8	Year ago (approx.)
	British Government				
1	Low	5 years	11.22	11.21	9.96
2	Coupons	15 years	11.02	10.93	9.66
3		25 years	10.95	10.85	9.49
4	Medium	5 years	12.31	12.24	11.18
5	Coupons	15 years	11.48	11.42	10.17
6		25 years	11.10	11.04	9.71
7	High	5 years	12.40	12.34	11.28
8	Coupons	15 years	11.73	11.68	10.37
9		25 years	11.34	11.29	9.88
10	Irredeemables	†	10.91	10.82	9.45
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.16	5.14	3.94
12	Inflation rate 5%	Over 5 yrs.	4.16	4.15	3.80
13	Inflation rate 10%	Up to 5 yrs.	4.16	4.13	3.22
14	Inflation rate 10%	Over 5 yrs.	3.99	3.98	3.64
15	Debs &	5 years	13.76	14.06	12.14
16	Loans	15 years	12.98	12.90	11.75
17		25 years	12.97	12.86	11.36
18	Preference	†	12.50	12.55	10.26

‡Opening index 2351.3; 9 am 2351.8; 10 am 2351.8; 11 am 2354.8; Noon 2350.5; 1 pm 2340.0; 2 pm 2339.8; 3 pm 2343.5; 4 pm 2351.6; 4.10 pm 2349.6; (a) 10.38am (b) 2.25pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES: Coloroll (48) has been deleted and replaced by Wiggins Teape Appleton (31).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	82	11
Corporations, Dominion and Foreign Bonds	0	5	18
Industrials	233	448	898
Financial and Properties	87	226	429
Oils	18	25	45
Plantations	1	1	8
Mines	27	20	118
Others	39	90	116
Totals	410	897	1,643

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	130	110	ABI Leisure 10p	130		R4.7	3.5	4.8	8.5
§50	F.P.	–	50	47	Castle Cairn Inv.	47		–	–	–	–
–	F.P.	–	20	11	Do. Warrants	17		–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings June 6
● Last Dealings June 15
● Last Declarations Sept 6
● For settlement Sept 17

For rate indications see end of London Share Service

Calls: Eldridge Pope A, Control Secs., Gaelic, Ivernia, SmithKline Beecham, Willis Faber. Put: Eurotunnel.

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Recovery in second half leaves taxable profits ahead at £23.9m

Exceptional boost for Amersham

By David Owen

AN EXCEPTIONAL gain relating to the sale and lease-back of its head office building helped Amersham International, the healthcare and medical products group, to report an 12 per cent advance in pre-tax profit for the year to March 31 1990.

The gain also included a second-half recovery in the group's operating performance and favourable currency fluctuations.

The factors offset the adverse impact of penalties imposed by the Japanese authorities after Amersham's unwitting violation of health regulations in 1984 and 1985. The shares climbed 13p to 302p.

The company, the first to be privatised by the Thatcher government in 1982, reported a pre-tax profit of £23.9m, against £21.4m. Turnover climbed 15 per cent to £207.7m (£180m).

The group benefited from a low effective tax rate since the head office transaction was not taxable. As a result the increase in after-tax profits and earnings per share rose to about 30 per cent. Earnings were 7.6p higher at 33.1p (25.5p).

The exceptional gain of £5.7m comprised a £7.6m profit from the sale and leaseback deal coupled with a £1.9m charge relating to the Japanese imbroglio, now referred to in *the company's folklore* as "the 'x' case".

Alan Harper

Sir Edwin Nixon (left), chairman, and Bill Castell, chief executive: "we actually feel we are whiter than white"

Amersham said that the charge was in respect of compensation payments to assist hospitals in making good government fines for their actions. It stressed this was in no way a recognition of wrongdoing on its part: "We actually feel we are whiter than white", said Sir Edwin Nixon, chairman.

The company said that it had decided to cancel the development programme for a fully-automated diagnostic instrument, with investment redirected instead to "enhance the existing Amerlite system".

According to Mr Bill Castell, the group's recently appointed chief executive, "This decision is perhaps the most important we have taken so far as we start to re-assess the need for a better balance between short-term profit and long-term growth."

He added that the group was in talks with a potential partner in the clinical diagnostics field.

In turnover terms, medical products remained Amersham's largest division at £91.6m, against £78.9m for life science products and £36.1m for industrial products.

The unit's operating profit was just £4.4m, however, against £18.8m for life science and £8.2m for industrial. The performance was attributed to "the loss of market share of traditional radiopharmaceutical products in the key Japanese market".

A final dividend of 8.1p (7.5p) is recommended, making a total of 11.8p (11p).

● **COMMENT**

The shares responded to evidence of a solid second half recovery in operating performance and signs that Mr Castell's hand was resting firmly on the tiller. Stripping out the £5.7m of exceptional items and £3.5m of exchange benefits, however, the case is less convincing, bearing in mind that income will presumably be subject to a heavier tax charge in the year ahead. With analysts looking for profits of £22m-£23m, the prospective p/e of about 12 times will only be of interest to those who believe that a bid premium is justified. This scenario looks increasingly unlikely with each month that passes since the redemption of the government's golden share – especially with collaborative ventures in the offing.

Refinancing programme on the cards as FKB enters preliminary negotiations

By Alice Rawsthorn

FKB, the troubled marketing group, announced yesterday that it was in preliminary talks with a third party which might lead to a formal refinancing programme.

In recent weeks FKB's name has been linked with a number of potential investors. These include Carlson, the US-based marketing services group, and Dentsu, the giant Japanese advertising agency with which it has had trading links for several years.

FKB, which needs to raise around £15m to stabilise its finances, refused to disclose the identity of the third party yesterday. The company said discussions were still at a preliminary stage, but it hoped to have thrashed out a formal agreement by the middle of next month. It is being advised by SG Warburg, the merchant bank.

FKB is one of a number of marketing services companies – including Saatchi & Saatchi and Yellowhammer, the advertising agencies, and Michael Peters, the design group – to have been hit by financial problems this year.

The marketing services industry has come under intense pressure since the start of this year because of the cuts in marketing budgets in the US and the UK.

At the same time, many companies, including FKB, are burdened by the heavy debts and earn-outs – or deferred payments – they amassed in their acquisitions in the late 1980s.

Six weeks ago FKB suspended its shares – at 118p – and issued a profits warning to shareholders. It also announced plans to restructure its finances.

FKB's debts now stand at about £30m. Originally it had hoped to secure the support of its banks to extend its borrowings. But the banks refused to help and FKB has been forced to search for an external investor which will be prepared to provide a new source of capital.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Carr's Milling Industries, Chemring, Davenport Vernon, Devenish (JA), Moorfield Estates.

Finals- BSS, Bilmac Industries, Cape, Claymore, Cohen (A), Drummond, Feopel Trading, Harrison Industries, Hazlewood Foods, Heath (CE), Marston Thompson & Evershed, Meyer International, PCT, Racal Electronics, Racal Telecom, Salsland, Vosper Thornycroft, Warwell Roberts.

FUTURE DATES

Interims-	
Allied Textile	July 26
Anglia Television	June 22
Argos	Aug 20
Brunner Investment Trust	June 14
Grovewood Securities	June 13
Hardys & Hansons	June 27
Kleinwort Charter Inv Tst	June 14
Wheway	June 14
Finals-	
Armstrong	June 15
Anglesey Mining	June 13
Avesco	July 10
Brentnalls	June 20
Mountview Estates	June 14
Sutcliffe Speakman	June 14
VSEL Consortium	June 20
Volex	June 19

European operations lift ACAL to £4.4m

WITH THE main benefit coming from continental Europe – primarily Italy and the Netherlands – ACAL increased sales 25 per cent and profits 20 per cent in the year ended March 31 1990.

The USM-quoted group, an agent for international manufacturers in electronics and industrial controls, produced sales of £54.7m (£43.7m), while pre-tax profit came to £4.41m (£3.66m) in spite of incurring interest costs on the acquisition of Technitron and receiving no profit contribution.

Mr John Curry, chairman, said the features in the year were the assimilation of the small acquisitions and the restructuring of the UK operations. The turnround of results of Technitron was going according to plan.

Group debt to equity ratio stood at 61 per cent and would be reduced by cashflow, sales of excess property when market conditions allow, and the divestment of Toptronics in the US. The latter, said Mr Curry, was not a core business and was a dilution of management effort.

Earnings in the year rose to 19p (15.7p) and the final dividend is 3.12p for a total of 4.68p (4.05).

Gandalf shows profit in third quarter

Gandalf Technologies returned to profit in its third quarter with pre-tax profits of £247,000.

However, the improvement by the Toronto-based computer communications company which has a London listing still left it with losses of £6.29m, against £816,000, for the nine months to April 28.

Mr Desmond Cunningham, chairman and chief executive, said the improvement worked through to the balance sheet. Better operating profits and a decrease in receivables and inventory cut net bank debt by 44 per cent.

Turnover for the third quarter was £21.89m (£23.41m) making a total for the nine months of £61.81m (£63.32m). Losses per share for the period were 52p (7p).

UK COMPANY NEWS

Turnover slightly depressed by slower pace of housebuilding

Anglian beats forecast with £86m

By Andrew Bolger

ANGLIAN WATER yesterday announced pre-tax profits of £86.1m for the year to March 31, £3.1m ahead of the figure forecast by the company before its stock market flotation in December.

Anglian – in which Lyonnaise des Eaux, the French water supplier, quickly took a 9 per cent stake – recommended a final dividend of 10.21p, in line with its prospectus. Pro-forma earnings per share were 42.1p.

Mr Bernard Henderson, chairman, said: "Our surface water reservoirs contain adequate reserves for the time of year.

"Although groundwater levels are depleted in some parts of the region following two dry winters and a dry spring, the projects we advanced last autumn should avoid the need for widespread restrictions this summer, provided customers are prudent with their use of water."

Mr Alan Smith, managing director, said that £3m of the company's forecast £192m capital expenditure had been used to provide extra boreholes in the areas of greatest shortage, in Lincolnshire and north-west Norfolk.

Mr Henderson said that the warm start to the year had increased the likelihood of a recurrence of the toxic algae which affected some reservoirs last year.

Anglian was planning to spend £1m on dosing the reservoirs with ferric sulphate to deal with this problem, but he emphasised that treatment ensured that algae would present no threat to drinking water.

Glyn Genin

Bernard Henderson: the projects we advanced last autumn should avoid the need for widespread restrictions this summer

Mr Smith said turnover, at £401.3m, had been slightly depressed by the slower pace of housebuilding, but Anglian's area was still likely to be one of the fastest growing in the country in terms of population.

Anglian has 30 beaches in its area, 11 of which do not meet EC bathing water standards.

Mr Smith said the company was committed to meeting these standards by 1993, but the task was being complicated by uncertainty in both Brussels and the Department of Energy over exactly what these standards would be.

Mr Henderson said he had met with Lyonnaise des Eaux on several occasions and they would discuss possible areas of co-operation, but he did not foresee any possible link-ups between his company and the two statutory water companies which Lyonnaise owns in Anglian's area.

● COMMENT

Anglian shares quickly gained a premium to their sector, thanks to the French stake and City relief that it was in no rush to diversify. That premium has largely evaporated, as it became clear that the Monopolies & Mergers Commission would block any early takeover moves and other water companies scaled back their plans for diversification. With water company results at this stage still sticking closely to the flotation prospectuses, most attention centres on the yield outlook. Analysts put Anglian towards the bottom of the league for prospective dividend growth. The shares closed 2p down at 152p.

Alexon bucks trend with 43% increase

By Jane Fuller

ALEXON, the clothing retailer and manufacturer, steered clear of the industry's doldrums to produce a 43 per cent increase in pre-tax profit, to £21.42m, in the year to March 31.

Sales grew 32 per cent to £167.06m. The group typically operates through department store concessions, although it also has 55 Dash shops.

The retailing division accounted for £13.5m, more than 60 per cent, of operating profit. Mr Lawrence Snyder, chief executive, said that the Alexon range, aimed at more affluent women, had like-for-like growth of 12 per cent. Its emphasis on co-ordinates and correct stocking had kept up the multiple sales.

Eastex, which like Dash came with the 1988 Ellis & Goldstein acquisition, was acting in a niche market for shorter women from 40 upwards. Mr Snyder said the cutting of overheads and closure of loss-making concessions had improved margins.

In a growing market for leisurewear, Dash could not keep up with last summer's demand for its women's clothing. Since the launch of the autumn range, like-for-like sales were 20 per cent ahead.

Dash had had problems with children's and menswear. Both these were being relaunched, as Dash Jnr and Dash Club, with more carefully targeted products.

In manufacturing, Claremont Garments, which supplies Marks and Spencer, made an operating profit of £7.6m. Mr Snyder said investment in computer-controlled equipment had enhanced margins.

The importing side – Alexon (Far East), which is geared to supplying Dash – made an operating profit of £1.1m.

Mr David Cohen, finance director, said gearing had come down slightly to 19 per cent. Although the interest bill had jumped to £2.06m (£573,000), it was covered 11 times.

Capital spending of £9.5m would probably be £1m lower this year depending on Dash openings. The plan was to open 20 shops a year.

Fully diluted earnings per share rose to 42p (35.03p) and a proposed final dividend of 8.5p makes a total of 13.5p (10.5p) for the year.

● COMMENT

While some of Alexon's customers are less sensitive to being squeezed than other High Street customers, the company has to a large extent made its own luck. The effective management of new technology and the emphasis on improving margins are part of this. Indeed, the wary view of discounting has helped its image as well as its coffers. The management now faces an expansion test, particularly in continental Europe where it has made a start with 30 Alexon concessions. For Eastex and Dash the plan is to ginger up their ranges in the UK before taking an overseas plunge. The pitfalls should be reduced by taking the concession route. Meanwhile in the UK, an ambitious opening programme for Dash will test the management's skill at exploiting the market that lies between sportswear and serious casualwear. This year, a pre-tax profit of £24m gives a prospective p/e of less than 10 on a closing price of 451p, not a demanding rating.

Ferranti abandons offshoot sale and plans move

By Michael Skapinker

FERRANTI International has abandoned its attempt to sell its California-based Marquardt propulsion technology company and is instead considering selling the land on which it stands and moving the subsidiary to Oklahama, Mr Eugene Anderson, chairman of the electronics group said yesterday.

Mr Anderson said that land owned by Marquardt in Los Angeles was worth about $50m (£30m). Ferranti has been offered 160 acres in Oklahoma for the nominal sum of $10. The move would enable Marquardt to continue under Ferranti's ownership while supplying the group with some much-needed cash.

Mr Anderson said that Ferranti, which last year discovered it had been the victim of a £215m alleged fraud against it by International Signal and Control, a US subsidiary, has had difficulty paying some of its suppliers. The £400m it has received from asset sales has gone to reduce its debt.

The company hoped that by the end of the week it would have received an initial response from its bankers to a request for a refinancing package which would enable it to meet needs such as payments to suppliers and future redundancy costs.

Mr Anderson could not say how many Ferranti employees would be made redundant. However he had decided to reduce the number of divisions from five to three, which would provide considerable scope for rationalisation.

The group had too many manufacturing facilities for an organisation of its size, he said. In the UK alone, Ferranti has 30 manufacturing or computer software sites and Mr Anderson estimated that up to 40 per cent of the manufacturing floor space was surplus to requirements.

The three new divisions will be aerospace systems, strategic management systems and commercial and industrial systems.

Aerospace systems will be responsible for the manufacture of missile systems, rocket and propulsion technology, weapon control and guidance systems and other military applications.

Strategic management systems will cover command and control naval systems, sonar and submarine guidance systems, radar early warning and display systems and flight simulation products. The third division will manage the remainder of the company's commercial and industrial businesses.

Mr Anderson, who took over the running of the company in February, said his visits to the group's businesses had persuaded him that existing divisions were duplicating work.

"The divisions were largely fiefdoms," he said. "People with the same sorts of skills were operating without reference to the group. What I decided to do is put them in some sort of logical order, grouping them either because they were similar in the businesses they were in or because of the similarities in their customers."

Mr Anderson said that the Ferranti head office would play a far stronger controlling role than it had in the past. Some head office functions would be reduced but others, such as financial control, "which had been minimal or non-existent", would be strengthened.

Automobiles of Distinction makes £39,552

Automobiles of Distinction, the classic car company which joined the Third Market at the end of last year, turned in an operating profit of £39,552 for the nine weeks ended November 30 1989.

After a tax charge of £10,152 earnings share were 0.09p.

The company said that it was considering further acquisitions and was negotiating the purchase of two specialist businesses in the classic car market.

Because of the current industrial climate, it said it had been reluctant to pursue an aggressive investment policy in the classic car market. As a result, the company had preserved a large proportion of the proceeds of the flotation, with a view to exploiting opportunities that presented themselves at advantageous prices later in the year.

Jarvis purchase

Jarvis has acquired as a going concern the business and certain assets of Newman Shopfitters (Cleveland) from the administrator of Rush & Tompkins. Consideration was £1.95m cash.

German builder buys 14.05% stake in Tilbury from Govett

By Nikki Tait

PHILIPP HOLZMANN, the West German construction company, announced yesterday evening that it had acquired a 14.05 per cent holding in Tilbury, the building group.

The transaction, at an undisclosed price, changes a delicate balance of power at Tilbury, following an abortive bid last year by Lilley, the Glasgow-based builder.

Lilley's £137m bid failed narrowly, winning support from holders of 48.84 per cent of Tilbury's shares. Among those which backed the offer was Govett Strategic Investment Trust, a fund managed by John Govett and the seller of yesterday's share block.

Shortly after the bid, Lilley raised its own stake in Tilbury to 29.9 per cent. It has since retained this holding, but any attempt to bid again has been barred until towards the end of September.

Yesterday's news came as a surprise to both Mr Bob Rankin, Lilley's chief executive, and his advisers at Salomon Brothers. However, still reading the details of the announcement, the advisers claimed that the sale of the Govett holding should not restrict their client's options.

Holzmann made an attempt to acquire the Lilley stake in Tilbury some months ago. However, the West German group and the former bidder were, according to Holzmann's advisers, "miles apart on price". Any hope of a transaction fell through, and Holzmann decided to approach Govett instead.

Holzmann made clear yesterday that it had no present intention of making an offer for the remaining Tilbury shares, although it reserved the right to intervene if a third party was to bid. It stated expressly that it would not accept an offer for Tilbury unless it was recommended by the Tilbury board.

Asked whether marriage might be on the cards in the longer-term, Morgan Grenfell, advising Holzmann, said that it did not believe such an idea was "in contemplation", and that their client's objective had been to secure a significant minority stake.

Tilbury, "extremely delighted" by the arrival of its new shareholder, claimed that there should now be significant opportunities for the two companies to co-operate on projects. It mentioned areas like water and air purification, power station development in the UK and property development as possible joint venture fields.

It plans to propose the appointment of Professor Hermann Becker, Holzmann's chief executive, to the Tilbury board, as a non-executive director, at the forthcoming annual meeting.

The announcement came well after the market had closed, where Tilbury shares were standing at 573p, valuing the company at £116.5m.

Tarmac makes further inroads into France

By Andrew Bolger

TARMAC, Britain's biggest construction and building materials group, said yesterday it had agreed to pay FFr30m (£3.2m) cash for 90 per cent of Etablissement Hecquet, one of the largest brick and concrete product manufacturers in northern France.

The acquisition – the first foothold in France for Tarmac's building materials division – follows close on the heels of two major French aggregate acquisitions by its sister division, Tarmac Quarry Products.

Hecquet's operations are in the Nord-Pas-de-Calais and Picardie regions. The company owns a clay brick factory, with its own clay reserves, near Bethune, two concrete block and paving factories at Dunkirk and Harnes, a concrete block factory near Cambrai and a pre-cast concrete factory at Arras.

Hecquet also has a 50 per cent stake in two concrete block factories, one just north of Paris, the other near St Quentin. The other shareholder is a local sand and gravel producer.

Mr Alain Hecquet, the principal shareholder, retains 10 per cent of the shareholding and he and his management team will remain with the business.

Sir Eric Pountain, Tarmac's chairman, said: "The completion of the Channel tunnel and the extension of the HGV high-speed rail link will inevitably bring major infrastructure developments into this area.

"The acquisition of Hecquet will provide Tarmac with an opportunity to benefit from this development."

Elga advances to £1m

ELGA GROUP, the water purification specialist and laboratory equipment supplier, lifted pre-tax profits 85 per cent, from £582,000 to £1.08m, in the year to March 31.

The result surpassed the £1.04m made in the year to March 31 1987. The following 12 months Elga plunged to losses of £641,000.

Mr Peter Ryan, chairman, said that the profits increase represented growth from both traditional and new areas of activity.

Turnover advanced 10 per cent to £12.92m (£11.71m).

Mr Ryan added that the French subsidiary increased turnover and made a a contribution to profits; the Irish company continued to perform to expectations; and the Dutch operation achieved some growth.

After tax of £387,000 (£241,000), earnings more than doubled to 6.83p (3.37p) per share.

The proposed final dividend is being lifted by more than a third to 1.5p (1.1p) making a total of 2p (1.5p) for the year.

In December 1989 Elga expanded its service-based activities with the acquisition of Jay Technical Services, which was engaged mainly in the manufacture, sale and service of industrial water softeners and other water treatment plant.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ACAL §	fin	3.12	Aug 1	2.7	4.68	4.05
Albrighton §	fin	5	-	2	7	2
Alexon	fin	8.5	July 23	6.5	13.5	10.5
Amersham Intl	fin	8.1†	Aug 13	7.5	11.8	11
Anglian Water	fin	10.21	Oct 1	-	10.21	-
Borthwicks	fin	1	Aug 6	0.5	2‡‡	1
British Steel	fin	5.5	-	5	8.25	5
Bromsgrove Inds	fin	2.3†	July 20	1.75	3.6	2.75
Control Tech	int	2.15†	Aug 15	1.8	-	5.5
Donelon Tyson	fin	0.75‡	July 26	-	0.75	-
Elga	fin	1.5	July 30	1.1	2	1.5
EMAP	fin	4.78	July 27	4.22	6.5	5.65
FIH	fin	8.25	July 23	7.75	12.5	11.5
Midlands Radio	int	2.5	Aug 7	2.4	-	7.1
Normans	fin	1.2†	Oct 1	1.15	2.3	2.2
Tinsley Rober	fin	1.35	July 31	1.35	2.1	2.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡For 18 months. ‡Scrip alternative.

Associated Henriques profits warning

By Andrew Bolger

ASSOCIATED-Henriques, the trade finance company, gave warning after the market closed last night that its results for 1990 would fall short of analysts' expectations. Its shares had already closed the day at 91p, down 2p.

The company, which finances imports by British companies by letters of credit and bills of exchange, said that as a result of making conservative and prudent provisions it was likely to show only a small profit at the mid-year stage.

In the six months to June 30 last year, the company made pre-tax profits of £1.28m on turnover of £2.4m. In the full year to December, it achieved pre-tax profits of £3.27m and analysts had pencilled in £4m for 1990.

Mr Milton Levine, executive chairman, said difficult trading conditions had been having a greater impact on clients than originally thought. In particular, the slowdown in trade caused by high interest rates had caused the company to increase its bad debt provisions.

Midlands Radio rises to £0.98m despite volatile ad revenue

Midlands Radio, which came to the stock market in February, lifted pre-tax profits from £905,000 to £981,000 in the half year ended March 31 in spite of volatile advertising revenue.

Mr John Parkinson, chairman, said that second quarter sales had been disappointing. Overall though, revenue from the local market place had held up well although sales nationally showed a downturn of 8.7 per cent.

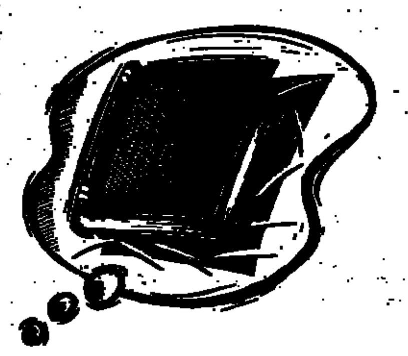
Since the half-year, national sales had improved but it was too early to make predictions, Mr Parkinson maintained.

Midlands is the holder of four franchises and the operator of seven radio services which are transmitted over an area covering Birmingham, Derby, Coventry, Leicester and Nottingham.

Turnover rose to £5.23m (£4.99m). Earnings were 4.9p (4.5p) and the interim dividend is 2.5p (2.4p).

1.

The actual age of a Chinese 100-year old egg, in months.



33.

The total number of Thoughts thought by Chairman Mao.

要糖嗎?

540,120.

When someone said "for all the tea in China" in 1989,
this is the actual amount they were talking about, in tonnes.

30,516,383.

The number of Ross Stir Fries stir-fried in Britain in 1989, thus helping us to achieve a
23% return to shareholders, on average, over the past 10 years.

UB

A business inspired by half a billion consumers.

UK COMPANY NEWS

Overseas activities balance UK at static FIH

RESULTS FOR the year ended February 28 at Ferguson Industrial Holdings were "heavily and adversely impacted by the consequences of UK economic policy and in particular the continued downward pressure on consumer spending", according to Mr Denis Cassidy, chairman.

Taxable profits at this supplier of products and services to the retailing and communications systems sectors were £13.14m (£13.06m).

They were struck on turnover up 14 per cent to £147.69m (£129.48m) and after a £1.03m rise in interest payable to £2.84m and a fall in profit from the sale of investments to £885,000 (£1.39m). Earnings including investment profits fell to 25.3p (27.1p) per share and, stripping these profits out, rose to 23.5p (22p).

Mr Cassidy said that many of the company's major customers had suffered a downturn in business activity, leaving FIH with reduced demand. However he added that the contribution from the company's non-UK activities had been an important compensation for the difficulties in the UK retail sector.

Trading profits of the label companies declined to £5.6m (£7.2m) on turnover of £37.22m (£35.82m), suffering from customers de-stocking and resisting price increases and also from unprecedented levels of bad debts. However, the hanger companies made £2.76m (£2.37m) on turnover up at £26.71m (£22.2m).

The acquisition of California-based Horizon Cable Supply helped profits in the communications components division rise to £2.15m (£751,000) on turnover of £17.34m (£7m). Since the year-end FIH has also acquired Donley International of Houston, Texas.

Printing, the largest division with sales of £43.04m (£40.19m), lifted profits to £2.92m (£2.67m), while publishing, which was transformed during the year with new management and technology, returned to the black with £454,000 (losses £31,000) on sales of £4m (£2.58m).

There was an extraordinary loss of £3.62m (profit £177,000), £1.25m of which related to the sale of Berisfords Ribbons, completed a week ago. Also Progress Pac in Sweden went into receivership with FIH guaranteeing the company's bank loan of £1.7m.

The proposed final dividend is raised to 8.25p (7.75p) for a total of 12.5p (11.5p) for the year.

Interest costs leave Normans lower at £3m

Normans Group, the food and department store concern, suffered a 40 per cent drop to £3m in pre-tax profit for the year ended March 31 mainly because of reduced property returns and higher interest.

The setback was considered by the directors as temporary. They said they were pleased with the current trading of the two core businesses and were paying a final dividend of 1.2p, lifting the total from 2.2p to 2.3p. Basic earnings fell to 2.92p (5.27p).

Turnover declined from £168.64m to £160.42m. Trading profit comprised Normans Superwarehouses £3.2m (£3.65m), Joplings £2.03m (£2.09m) and other £538,000 (£752,000). Property profits were £174,000 (£817,000) and interest charges £2.2m (£1.35m).

Mr Michael Swan, who became chairman in January, said the year stood out as one of considerable significance. There were a number of positive actions such as the opening of the Tynedale Park out-of-town retail centre, and the benefits were mostly still to come. Negative influences included the general economic climate and high interest rates.

The most important action, however, was the fundamental review of activities of the structure and future profitability of the group. In order to concentrate on the two core businesses – Normans Superwarehouses and Joplings – all other operations and surplus properties have either been sold or closed down, or will be sold.

Cost of the changes was shown in an extraordinary charge of £621,000, comprising net costs of closure and reorganisation £2.9m less net profit on closure and sales £1.38m and tax credit £900,000.

Bank loans and overdrafts now total £14m compared with £17m at March 31 and £20m at their peak during the year.

Brake purchase

Brake Bros, the frozen food distributor to the catering industry, is to pay £1.9m cash for Caterfrost, a frozen food business of Watson & Philip.

Borthwicks back in profit with £2m

By Jane Fuller

BORTHWICKS, the flavours, ingredients and meat company, returned to profitability for the year to April 1, making £1.97m at the pre-tax level.

A change of year-end pushed the figures for the six months to April 2 back into the previous year, when pre-tax losses amounted to £1.72m. That slab-clearing period included reorganisation costs, after leaving overseas meat trading, and abandoning the Mango meat processing project.

The group emerged with a turnover of £82.71m (£116.34m) focused on natural flavours which included last autumn's acquisition of Globe Extracts in the US, food ingredients and value-added meat products. The pre-tax profit figure was struck after an exceptional gain of £861,000.

Nearly half the sales came from the meat sector, which made a slightly reduced loss of £927,000 including about £500,000 start-up costs for a consumer division producing ready-to-cook dishes.

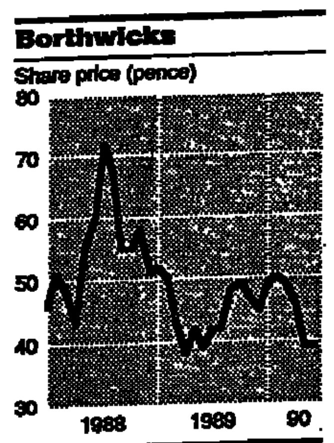
Mr Cornel Riklin, chief executive of a management team that was revamped at the start of 1989, said meat continued to be the most difficult area because of overcapacity at the UK's abattoirs. This year, the BSE scare proved disruptive, although the demand for lamb and pork had largely compensated for the dip in beef.

The best performing sector was natural flavours, which supplies food and drink manufacturers. Its operating profit rose to £2.5m (£1.3m).

Food ingredients, such as cake decorations, made £180,000 after a small loss in the previous year.

The group had cleared its debt prior to the £9m Globe acquisition. That took gearing up to 38 per cent as well as entailing the issue of shares.

Earnings per share were 3.1p (loss of 3.5p).



The figures for the 12-month periods were unaudited. For the 18 months to April 1, the profit before exceptional costs of £880,000 was £640,000 on turnover of £122.84m. Extraordinary costs totalled £975,000.

A final dividend of 1p makes a total of 2p for the period (1p for the previous 12 months).

● COMMENT

Borthwicks is now setting its sights on niche markets and "added value". This is paying off in natural flavours, the only serious money earner last year. It should continue to move ahead with some help from Globe. On the food ingredients side, the company was in too many niches and there should be further benefits from rationalisation and from a healthy line in vegetable suet. The thorn in the company's side remains meat. The benefits of structural changes – supermarkets buying more meat ready packaged and the awaited shake-out of abattoirs – mostly lie in the future. A forecast pre-tax profit of 2.5m gives a prospective p/e of less than 10 on a closing price of 39p. It probably deserves the rating on recovery prospects.

Restructuring hits Tinsley Robor

RESTRUCTURING costs and losses in a closed business left taxable profits at Tinsley Robor, the specialist printing and packaging group, 45 per cent lower at £901,000, against £1.65m, in the year to the end of March.

The result was struck after exceptional costs of £364,000 to cover the merger of the Howards Printers (Slough) and Admat Labels.

It also took account of losses of £415,000 in the machinery division, which has since been closed. The closure caused costs of £1.11m which after a tax credit left an extraordinary charge of £751,000 (£617,000).

Mr John Rose, chairman, said that the major changes to the structure had been completed.

He added that the results would have been better but for the reorganisation but he thought that the action taken had increased the company's prospects.

The changes, which also included the sale of Robor Ltd, the carton printing subsidiary, left the company with two divisions, promotional printing and packaging.

Since the year end the printing side had been expanded by the acquisition of Icon Communications, specialist design and artwork company.

Turnover was 22 per cent lower at £27.36m, compared with £35.1m last time. Profit before exceptional items was £1.27m, against £1.65m, a fall of 23 per cent, after interest charges of £547,000 (£659,000).

After tax of £339,000 (£621,000) earnings per share halved to 2.2p (4.5p).

Nevertheless, the recommended final dividend is unchanged at 1.35p to give a maintained total of 2.1p.

After extraordinary costs the attributable loss was £189,000 (£412,000 profits).

Dividends absorbed £534,000 (£541,000) for a loss for the year of £723,000 (£129,000).

Exceptional gain provides lift at Bula

Taking in an exceptional gain of I£251,000 on the disposal of investment, Bula Resources (Holdings) increased pre-tax profits from I£211,000 to I£501,000 (£470,000) in 1989.

Turnover rose from I£1.26m to I£2.3m, reflecting the continuing increase in US revenue. The growth would have been greater but for various shut downs of the Buchan Field in the North Sea.

Net cash flow from operations increased by 61 per cent to I£1.13m. Bula is now aiming to develop significant exploration targets, and has already been successful in both offshore Ireland and onshore in the Netherlands.

Acquisitions behind 45% increase at Bromsgrove

ACQUISITIONS boosted Bromsgrove Industries in the year ended March 31 1990, and helped it to a sales rise of 52 per cent and a profit increase of 45 per cent.

Referring to the industrial side, Mr Bijan Sedghi, chairman, said significant progress was achieved, notwithstanding higher interest rates and caution in the markets.

Mr Sedghi said five acquisitions were completed, while strategic disposals substantially reduced consumer durable interests.

Individual performances were more than satisfactory, with the exception of the trim operations where relocation caused disruption. Specialist engineering activities now principally focused on aerospace, off-shore, automotive, leisure and sports.

The financial division saw lower profits – "not surprisingly so given market conditions" – and negotiations were taking place with a financial institution in relation to that division's future.

Turnover advanced to £72.26m (£47.44m) and pre-tax profit to £7.9m (£5.47m), after interest charges of £2.12m (£58,000). Industrial operating profit was £9.83m (£5.18m) and financial profit £198,000 (£347,000).

Mr Sedghi claimed no discernible adverse trends had yet emerged to dampen expectations for the current year. Several of the businesses directly exported more than than 65 per cent of their sales, he pointed out.

Return on capital employed continued at an annual rate of 40 per cent. Shareholders funds increased 23 per cent to £20.12m.

Earnings came to 15.93p (12.42p) and the recommended final dividend is 2.3p to make 3.6p (2.75p).

New Throgmorton net assets fall

Net asset value at The New Throgmorton Trust (1983) stood at 224.4p per capital share at March 31 compared with 287p a year earlier. Fully diluted the value was 182p against 232.1p.

Gross income totalled £6.47m (£4.81m) and net revenue after tax rose from £2.55m to £3.35m for earnings per share of 8.55p compared with 6.51p.

Directors recommended a 1.25p rise in the final dividend to 6p for a total of 8p (6.5p).

UK COMPANY NEWS

EMAP fights through to show 13% profit increase

By Raymond Snoddy

EMAP, the magazine, newspaper and exhibitions group, managed to shrug off the worst effects of the recession in advertising with a 13 per cent increase to £38.03m in pre-tax profits for the year to March 31 1990.

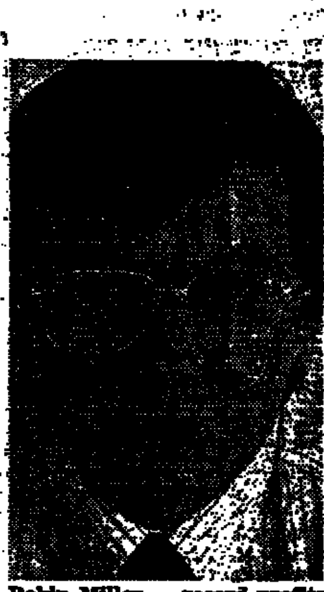
Mr Robin Miller, chief executive, said yesterday: "Despite the tough economic conditions our market leadership positions have ensured continuing record profits." Last year the company made £33.55m.

Earnings per share increased 12 per cent, from 16.2p to 18.1p, and the total dividend is up 15 per cent to 6.5p (5.65p), with a final of 4.78p.

Newspapers turned out to be the most vulnerable to recession, particularly in the south east of England, and revenues increased by only 4 per cent. According to Mr David Arculus, group managing director, magazines did considerably better and consumer magazines, excluding launches and acquisitions, lifted revenues by 16 per cent. Including launches and acquisitions the figure was 26 per cent. Business magazines showed a more modest increase of 7 per cent.

The performance of the exhibitions division was flat but that, the company said, gave a misleading impression because a date change of one of the most profitable exhibitions, the Fleet Motor Show, meant it missed the financial year.

EMAP's consumer magazines continued to be strong as they were only 40 per cent dependent on advertising and most were specialist and linked towards specific interests such as fishing or gardening.



Robin Miller — record profits in spite of tough conditions

"People want their little bit of joy and they will continue to do so," Mr Miller said.

EMAP also emphasised yesterday that it had cut costs significantly as soon as it realised trading was likely to become difficult. About 450 jobs went, 10 per cent, although the actual total of numbers employed had not changed much because of acquisitions.

Mr Colin Tennant, publishing and packaging analyst at stockbrokers Hoare Govett, said yesterday that the results were slightly better than expected with magazines performing much better than hoped and newspapers holding up a little better than feared.

He expected the group to make £43m pre-tax this year and be close to £50m in 1991.

But he warned: "Few people are going to get very excited about this sector until there is solid evidence that the advertising recession is over."

EMAP was not expecting much recovery before the spring but Mr Graham Ross-Russell, chairman, said yesterday that "the nineties will provide EMAP with just as much *opportunity for growth* as the eighties."

The opportunities for growth could include some substantial acquisitions during the course of this financial year. Over the past two years EMAP had spent the equivalent of 10 per cent of its capitalisation on acquisitions — to get into the car and baby magazine market among others.

The company, which had hardly any debt, was prepared to spend up to 20-30 per cent of its capitalisation, currently around £305m, if the right opportunities came along.

● COMMENT

EMAP's blend of entrepreneurial flair and watch over costs has produced a very respectable performance in difficult circumstances. All the signs are that the company should continue to grow at a similar solid, if unspectacular, rate. This year could offer the key to serious future growth if the company that held back when it thought prices were too high in the past two years acquires wisely when the market is low for media properties. At 226p the p/e is 11 times the 1991 forecast — 12.5 on the 1990 result. The yield is 4.3 per cent.

Where is the softening in the software?

Alan Cane casts an eye over some current problems in the computer services market

THE UK computing services market is, after an extended period of high growth, moving into a lower gear. However, expansion is continuing, and indeed at a level which would seem boisterous for more mature industries.

Computing services includes computer software, consultancy, bureau services, systems integration and computer maintenance. Analysts estimate that the average rate *of growth has slipped from* more than 20 per cent a year to 15 per cent.

So problems at Logica, a UK industry leader which recently published a profits warning, and at Headland Group, where a significant first-half loss is predicted, are probably less indicative of a general malaise in the industry than of specific problems with particular market sectors against a general, but hardly dramatic, slowing in the market.

Computer systems for the financial services business, for example, have been in the doldrums both in the US and the UK since the 1987 stock markets crash.

The larger UK-based computing services companies, including Logica and Sema Group with a long history of writing bespoke software for banks and building societies, remain heavily reliant on sales to financial institutions.

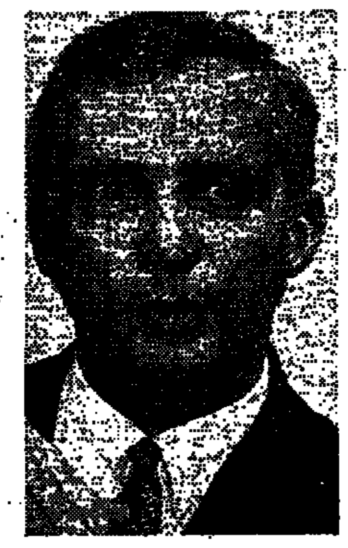
The picture is complex, however.

For example, ACT, the Birmingham-based company known as Apricot until it sold its hardware division to Mitsubishi Electric of Japan, is of particular interest because it is basing its recovery on a return to software and services. It *says it expects 20 to 25 per cent* growth from its financing services division in the coming year.

Mr Roger Foster, its chairman, says he has seen few signs of a slowdown in any of the five areas — finance, medical systems, government, data networks and computer maintenance — in which the company is active.

The Computing Services Association, the trade organisation for the UK's larger software and services companies, assessed the state of the business in April and found that optimism had been dampened down considerably, after the euphoria of earlier years.

"The UK computing services industry is continuing to expand in spite of the gloom in the economy," it said, "but the high growth rates in staff numbers, measured at 14 per cent between 1988 and 1989, is now declining as companies respond to pressures on profit margins. Overall staff numbers are still increasing very slightly but the rate of increase has been dropping consistently over the last four quarters."



Roger Foster — returning to software and services

Significantly, the CSA analysis goes on: "As a further indication of reduced optimism, only 73 per cent of chief executives responding to the survey continue to believe that their businesses will improve during the next 12 months. This compares with 83 per cent at the beginning of 1989 and 91 per cent at the start of 1988."

The survey shows that 4 per cent of chief executives actually expect their business to worsen during 1990 — a small number, but a dramatic change for the normally ebullient services business.

Mr Richard Holway, the publisher of an annual report covering the activities of UK computing services companies, says that the shares of quoted UK software companies — there are only a dozen or so with a full listing — underperformed the FTSE 100 index by 11 per cent last year and that average multiples are at an all-time low.

He believes that frantic merger and acquisition activity as services companies seek critical mass to compete in Europe against the large French services companies like Cap Sogeti Gemini explains high revenue growth and profits underperformance.

"In the period since 1985, 71 per cent of all quoted computing services companies have made a loss or suffered an earnings per share reversal," he says.

However, there are outstanding exceptions — for example, Microfocus, whose share price has increased 2.7 times.

The industry is still bedevilled by an amateurish image for both project management and *software production. This is* compounded by a change from billing on a "costs plus" basis to fixed price contracts which has affected the results of a number of companies recently, including SD-Scicon and Sema.

Overruns on two large fixed price contracts are believed to have contributed heavily to the predicted fall in profits at Logica.

Headland suffered from the heavy costs involved in developing a new financial software package.

The UK software business prides itself on the innovatory nature of its products. Until it adds engineering professionalism to innovation there will continue to be unpleasant and unexpected shocks in the balance sheet.

COMPANY NEWS IN BRIEF

BARBICAN HOLDINGS has agreed to pay £2.3m for Cambind, which owns an industrial *site at Belvedere, Kent, and* taken over from Clivefield an agreement to buy land at West Thurrock, Essex, for £600,000. Mr RA Popely, chairman, is beneficial owner of Cambind, and jointly with his brother owns Clivefield, so shareholders' approval is required. Consideration for Cambind is £200,000 cash, allotment of 30m shares, and issue of £1.8m 9 per cent convertible unsecured loan stock 1992.

COLORGRAPHIC has acquired 50 per cent of Decisions Group, a telephone marketing company. *Initial consideration is* £563,600 satisfied by £499,000 in loan notes and the balance in cash.

HARDY OIL & Gas raised pre-tax profits to £5.05m (£4.58m) in the year ended March 31 1990, its first full results since joining the main market in May 1989. It is the demerged holding company for the oil and gas interests of Trafalgar House, the building and shipping group. Turnover was £26.11m (£23.02m) and generated operating profits of £3.37m (£2.16m). Earnings rose from 6.4p to 10.4p, or to 16.9p if extraordinary credits of £3.85m were included. No dividend.

LYNX HOLDINGS has reached conditional agreement for the sale of its Russet Instruments subsidiary to Co-Metric for £650,000 cash.

MAXWELL COMMUNICATION Corporation has acquired the 35 per cent equity interest in International Learning Systems held by John Swire and Sons. The consideration, including the cost of loan stock in International Learning Systems also held by John Swire, was £3.04m.

MEYER INTERNATIONAL is selling its Australian company to Burns Philp for some A$15m (£6.8m), and Burns will take over borrowings and repay parent company loan amounting to $16m.

POLLY PECK said the offer for sale of 15 per cent of Vestel, its Turkey-based electronics subsidiary, has closed oversubscribed. The sale price values Vestel at £460m. Dealings expected to start in Istanbul on June 20.

SIMON ENGINEERING has *sold its 50.01 per cent holding* in Gilbraith Tankers and its subsidiaries to its partner, the Gilbraith family, for an undisclosed sum. The value of the assets transferred was £1.6m. The other companies involved in the transaction are: G&S (Storage and Distribution), Manx Sea Ferry Freight and Jack's Motors. Simon has also sold its Progress Foundry business to the Newby Group for £350,000.

NEWS DIGEST

Donelon doubles to £2m

IN THE year to December 31, its first since formation, Donelon Tyson doubled pre-tax profits to £2.02m on turnover ahead from £30.62m to £65.13m.

The company results from the merger between JF Donelon, North West Builders Merchants, their subsidiaries, and Tysons and is a broadly based construction group, covering tunnelling and building construction, development, industrial insulation, joinery and merchanting.

Operating profits soared to £4.32m (£1.07m) though there was a debit of £375,000 from the share of loss of a related company and a greatly increased interest charge of £1.02m (£39,000). There was a £400,000 exceptional cost relating to amounts irrecoverable on contracts.

Earnings rose to 3.45p (1.98p) per share and the proposed dividend of 0.75p is what was indicated at the time of the merger. It will also be the first time in six years that Tysons shareholders will receive a dividend.

Control Techniques rises 63% to £2.6m

A 63 per cent expansion in interim profits was yesterday reported by Control Techniques, the acquisitive motion and process control group.

The outcome for the six months to end-March, up from £1.61m to £2.62m, was achieved on turnover ahead some 50 per cent to £24.32m (£16.15m).

Mr Trevor Wheatley, chairman, said that acquisitions made in the previous year in Australia and the Netherlands had shown "especially pleasing results". During the first half of the current year, the group purchased two businesses in the UK as well as Labod, a West German manufacturer of DC electronic drives used mainly by the machine tool industry.

"The predominant overseas element is a significant factor in protecting the group against the apparent softening in the UK market, Mr Wheatley added.

After tax of £937,000 (£556,000) and minorities £84,000 (£102,000), earnings per 10p share emerged at 7.6p, up from 5.4p last time. The interim dividend is raised to 2.15p (1.8p).

Strong progress for Albrighton

Albrighton continued to progress through the second six months and for the full 1989-90 year returned profits of £1.03m at the pre-tax level.

Losses for the previous year rose to £255,000 — the company was then known as GR Lovell, the chocolate and sweet maker. USM-quoted Albrighton has since reorganised and diversified into building products via four acquisitions.

Group turnover for the past year totalled £18.53m (£4.11m) of which £14.39m was generated from the building activities.

Earnings amounted to 18.2p (losses 18.1p) and a final dividend of 5p makes the predicted 7p (3p) total. The directors said that, excluding confectionery, earnings would have totalled 25.1p.

UK SHARE OWNERSHIP DISCLOSURE

On Friday June 1, provisions of the Companies Act 1989 came into force requiring an investor owning 3 per cent or more of a UK public company to declare this ownership. The previous level at which disclosure had to be made was 5 per cent. The Financial Times will be printing a summary of Stock Exchange announcements of disclosures of holdings of between 3 per cent and 5 per cent. Announcements in today's table include some made on Friday and those made yesterday for which space permits inclusion. Those announcements crowded out today will appear tomorrow.

KEY
The companies in which the stakes have been disclosed are shown in bold.
For each, the names of the investors are followed by the shares they hold, in thousands, and the percentage this represents of the company's total shares outstanding.

AB Electronic Products Group
TSB Group 1,185 (4.67%)
ASDA Group
Prudential Portfolio Managers Pensions 44,267 (3.77%)
Schroder Investment Management 42,351 (3.61%)
ASDA Property Holdings
Gartmore Investment Management 2,411 (4.29%)
Aberfoyle Holdings
Aberfoyle Holdings & Globe Investment Trust 4,419 (-%)
Abtrust New Dawn Investment
Esso Pension Trust 1,400 (-%)
Adwest Group
Pearl Group 2,796 (4.35%)
Sun Alliance Investment Management 2,450 (3.81%)
Alan Cooper Holdings
The Church Commissioners For England 400 (3.64%)
Alexon Group
Friends Provident 1,315 (4.61%)
Norwich Union Fund Managers 1,023 (3.59%)
Allied Textiles
Robert Fleming 561 (3.07%)
Amber Day Holdings
Globe Investment Trust 1,550 (3.30%)
Midland Bank 1,470 (3.10%)
TSB Group 2,088 (4.40%)
Ambrose Investment Trust
BTR Group 180 (4.16%)
Kleinwort Benson 109 (-%)
MIM Britannia Unit Trust Managers 270 (3.75%)
Anglesey Mining
Edinburgh Fund Managers 920 (4.30%)
Anglo & Overseas Trust
Barclays Bank 3,433 (3.01%)
Anglo Irish Bank Corporation
Edinburgh Fund Managers 2,856 (4.76%)
Apollo Metals
Framlington Group 492 (-%)
Argos
Schroder Investment Management/Schroders 9,993 (3.37%)
Armitage Brothers
Berry Hill Investments 122 (-%)
MSG Capital Fund 175 (4.38%)
Mrs Irene Margaret Dodd 180 (3.97%)
Arrower Trust
Schroder Unit Trusts - (3.41%)
Ashland Group
Baillie Gifford 786 (4.43%)
British Airways Pension Fund 820 (4.68%)
British Gas Pension Scheme 825 (3.40%)
British Rail Pension Trustee 594 (3.31%)
Gartmore Investment Management 880 (4.80%)
Standard Life Assurance 893 (4.87%)
Associated Heat Services
TSB Group 1,120 (3.65%)
Audit & General
Gartmore Investment Management 1,549 (4.37%)
Automated Security (Holdings)
Edinburgh Fund Managers 975 (4.12%)
Avon Rubber
Barclays Bank 835 (3.96%)
Britannic Assurance 916 (4.33%)
M&G Midland & General Trust Fund 747 (3.53%)
Save & Prosper Group 977 (4.16%)

Trelleborg Gummiwerke 1,000 (4.76%)
Universities Superannuation Scheme 1,036 (4.94%)

BAA
HM Government 21,827 (4.36%)
BPB Industries
Nutraco Nominees 16,632 (4.03%)
BPP Holdings
Barclays Bank 920 (4.70%)
Friends Provident Life Office 630 (3.20%)
Schroder Investment Management 736 (3.70%)
Sun Alliance Investment Management 745 (3.80%)
BSG International
Barclays Bank 8,491 (4.16%)
BSS Group
Framlington Group 1,000 (4.88%)
Robert Fleming Holdings 812 (3.96%)
Bailey (Ben) Construction
Mars Security 517 (4.95%)
Baillie Gifford Japan Trust
Derbyshire County Council 341 (3.10%)
Bank of Scotland
Abu Dhabi Investment Authority 27,665 (-%)
Barclays
Prudential Corporation Group 49,987 (3.16%)
Baris Holdings
Kleinwort Benson Group 225 (3.16%)
Bestobell
Pearl Group 1,452 (3.49%)
Scottish Amicable Investment Managers 1,870 (4.49%)
Bespak
British Gas Pension Funds Management 660 (4.82%)
Betterware Consumer Products
Phil Drew Nominees 369 (3.69%)
Bio-Isolates
Mars Security 862 (4.47%)
Biopian Holdings
Barclays Bank 6,056 (4.34%)
Birmingham Mint Group
Beacon Group 600 (4.21%)
Black (Peter) Holdings
London Pensions Fund Authority 2,002 (3.67%)
Blagden Industries
Barclays Bank 1,887 (3.54%)
Phillips & Drew Fund Management 1,445 (3.28%)
Bodycote
Norwich Union Fund Managers 5,507 (3.22%)
Booth Industries
MGM Assurance 196 (4.25%)
Mars Security 198 (4.85%)
Merseyside Superannuation Fund 135 (3.29%)
Bowater
Barclays Bank - (4.83%)
Bowthorpe Holdings
Sun Alliance 7,885 (4.91%)
Brabant Group
Scottish Amicable Investment Managers 1,095 (4.32%)
Braithwaite
Friends Provident Life Office 400 (3.43%)
Brammer
Confederation Life Group 1,415 (3.20%)

British Bloodstock Agency
Investment Management 176 (4.83%)
Mars Security 170 (4.47%)
Mr BCP Gething 160 (4.22%)
Mr CA Smith-Bingham 176 (4.63%)
Mr HW Bleckelier 160 (4.22%)
Prudential Assurance 135 (3.59%)
British Land Company
Gartmore Investment Management 9,866 (4.36%)
British Vita
Barclays Bank 5,637 (3.34%)
Brooke Tool Engineering (Holdings)
Dundee & London Investment Trust 1,390 (3.72%)
Wesleyan Assurance Society 1,135 (3.05%)
Brown (N) Group
Scottish Amicable Investment Managers 2,892 (4.47%)
Brown Shipley Holdings
Ecclesiastical Insurance Group 870 (3.65%)
Bunzl
Norwich Union Life Insurance Society 14,078 (3.67%)
TSB Group 12,394 (3.23%)
Burndene Investments
Kleinwort Benson Investment Management 317 (3.18%)
Burton Group
Bank of Scotland 18,395 (3.27%)
Butler Cox
Lancashire County Council 200 (3.74%)

CST Emerging Asia Trust
London & Manchester Group 585 (4.35%)
Cairn Energy
Norwich Union Fund Managers 914 (3.89%)
Cala
P&O Pension Fund Investment 1,130 (3.20%)
Cannon Street Investments
Royal Bank of Scotland Group 2,374 (3.13%)
Cater Allen Holdings
Barclays Bank 645 (4.36%)
Invesco MIM 654 (3.01%)
Pearl Assurance 662 (3.42%)
Channel Express Group
Eagle Pension Funds 395 (3.57%)
City Centre Restaurants
Abingworth 7,716 (4.19%)
BAT Industries 7,045 (3.77%)
Barclays Bank 5,809 (3.15%)
Friends Provident 7,604 (4.12%)
National Westminster Bank 5,848 (3.13%)
Clayform Properties
Mr DG Jones 1,170 (3.09%)
Royal Bank of Scotland Group 1,159 (3.13%)
Clayhithe
Kleinwort Benson 618 (3.03%)
Schroders 722 (4.21%)
Clayton, Son & Co
Wesleyan Assurance 95 (3.20%)
Coats Viyella
Phillips & Drew Fund Management - (3.95%)
Computer People Group
British Gas 685 (4.52%)
Cookson Group
Norwich Union 11,423 (3.14%)
Copeman (F)
Midland Management 481 (4.13%)
Cornwell Parker
3i Group 122 (4.21%)
Mrs M Honey 98 (3.46%)
Costain Group
Pearl Group 5,860 (3.26%)
Countryside Properties
Fleming Claverhouse Investment 1,450 (4.06%)
Courtaulds Textiles
Provident Mutual Group 3,309 (3.30%)
Robert Fleming Holdings 4,180 (4.17%)
Courts (Furniture)
Harrington 1,193 (4.76%)
Messrs Cohen 1,005 (4.12%)
Cowan, De Groot
Coast Securities 1,050 (4.30%)
Prudential Assurance 825 (3.76%)
Robert Fleming 859 (3.44%)
Craig & Rose
Mars Security 17 (4.20%)
Mr CM Mitchell-Rose 16 (4.10%)
Mrs IA Leech 16 (4.00%)
Cranbrook Electronics
Co Nominees 325 (3.29%)
Hanover Nominees 489 (4.95%)
Crossmark Group
JC Owen 211 (3.16%)
M Field 222 (3.29%)
Croton Lodge & Knight Group
Ecclesiastical Insurance Group 6,280 (3.12%)
Ecclesiastical Insurance Office 6,180 (3.12%)
Crest Nicholson
Barclays Group 3,590 (4.69%)

Schroder Investment Management 2,734 (3.57%)
Cussins Property Group
Tyne & Wear 300 (4.21%)
Dartmoor Investment Trust
Gartmore Investment Management 929 (4.84%)
De Morgan Group
Mr RJ Clarke 748 (4.26%)
Mr RW Halls 603 (3.43%)
Delyn Packaging
British Telecom 387 (4.57%)
Devonport Royal Dockyards 338 (3.99%)
Morecambe Pension Plan Common Investment 400 (4.72%)
Post Office 298 (3.04%)
Prudential Assurance 275 (3.24%)
Dewhirst International
Equity & Law Life Assurance Society 735 (4.03%)
Dewhirst (IJ)
AH Dawson 2,274 (4.51%)
Mr SAT Cannon 1,809 (3.59%)
Diploma
Bank of Scotland London Nominees 2,655 (4.88%)
Crown Unit Trust Services 1,805 (3.19%)
Dixons Group
Barclays Bank 11,634 (3.03%)
Scottish Amicable Investment Managers 17,098 (4.45%)
Standard Life Assurance 12,605 (3.28%)
Doctus
Royal Trust Asset Management 1,442 (3.65%)
Dowdeswell
Kleinwort Smaller Companies Investment Trust 285 (3.06%)
Dowding & Mills
General Portfolio Life Insurance 284 (3.03%)
Drayton Asia
Queen Anne's Gate Asset Management 3,400 (3.82%)
Drayton Consolidated Trust
National Coal Board Staff Superannuation Scheme 1,252 (3.02%)
Dundee & London Investment Group
TSB Group 367 (3.56%)
Dundee & London Investment Trust
DC Thomson & Co 892 (4.95%)
Dunedin Income Growth Investment 895 (4.97%)
Provincial Insurance 821 (4.94%)
Scottish Widows' Fund & Life Assurance 810 (4.76%)
Standard Life Assurance Company 895 (4.97%)
TSB Group 667 (3.39%)
Dunhill Group
Barclaytrust Channel Islands 700 (3.42%)
Clydesdale Bank Nominees 445 (4.46%)
Eagle Star Insurance 749 (3.66%)
Robert Fleming Nominees 1,000 (4.88%)
Durham (DG) Group
Mr J Bryant 683 (3.25%)
Dyson (J&J)
Mark Andrew Lucas 85 (4.15%)
Wesleyan Assurance Society 85 (3.09%)

EFG
George A Palmer 600 (3.22%)
Lloyds Bank Nominees 600 (3.22%)
Midland Bank Trust 577 (3.73%)
EFM Dragon Trust
London & Manchester Group 9,823 (3.14%)
South Yorkshire Pensions Authority 9,906 (3.17%)
EIS Group
Colorol Pension Trustee 12 (3.20%)
Edinburgh Investment Trust
Brown Shipley Holdings 570 (3.57%)
Croton Lodge & Knight Group 6,180 (4.05%)
Nesco Investments 312 (4.09%)
Edinburgh Oil & Gas
Derbyshire County Council 605 (3.79%)
Egerton Industries
Emmett O'Connell 287 (3.40%)
Elbief
Mars Security 467 (3.84%)
Elson Holdings
Capers Investments 1,298 (4.40%)
Electric & General Investment
London & Manchester Group 2,878 (4.80%)
Electron House
Schroder Investment Management 650 (-%)
Elexis
Popeshead Nominees 7,159 (3.57%)
England (J) Group
Trimer Nominees 289 (4.91%)
Mars Security 289 (4.97%)
English & Caledonian Investment
Caledonia Investments 200 (4.46%)
English & Scottish Investors
Alliance Trust 80 (3.60%)
Essex Holdings
Clients of Henry Cooke, Lumsden 365 (3.76%)

Enterprise Oil
Barclays Bank 13,766 (3.02%)
Era Group
British Airways Pension Fund 2,820 (-%)
Postel Investment Management 2,750 (4.60%)
Essex Furniture
Mars UK Pension Fund 360 (4.06%)
Etam
Schroder Investment Management 3,259 (4.99%)
European Assets Trust
London & Manchester Group 765 (3.14%)
European Colour
Kleinwort Benson Investment Management 1,025 (3.42%)
European Home Products
Queen Anne's Gate Asset Management 2,635 (4.90%)
European Project Investment Trust
Brown Shipley Holdings - (4.34%)
Co-operative Insurance Society 1,000 (3.33%)
Joseph Nelson Investment Management 1,160 (3.87%)
Royal Bank of Canada Group 1,480 (4.70%)
Eurotherm International
Prudential Portfolio Managers 1,786 (4.13%)
Excalibur Group
Framlington Group 1,360 (3.45%)
Guinness Mahon Holdings 1,364 (3.43%)

F&C Germany Investment Trust
Lloyds Investment Managers 1,265 (3.20%)
FR Group
Barclays Bank 2,255 (3.04%)
Morgan Grenfell Group 2,285 (3.07%)
Sun Life Assurance Society 3,361 (4.50%)
Ferranti International
Phillips & Drew Fund Management 26,746 (3.57%)
Ferry Pickering Group
MJ Blockley 535 (3.98%)
PG Nixon 645 (4.81%)
First National Finance Corporation
Sun Alliance Group 157,740 (3.52%)
Five Oaks Investments
Barclays Bank 2,123 (4.52%)
Fleming Japanese Investment Trust
Barclays Bank 2,629 (3.42%)
Flexello Castors & Wheels
Equity & Law Life 138 (4.17%)
Mars Security 164 (4.95%)
Fulcrum Investment Trust
Dartmoor Investment Trust 165 (4.68%)
Fundinvest
Commercial Union 50 (4.00%)
Galliford
Midland Bank 2,453 (3.04%)
Gaskell
Barclays Bank 149 (3.07%)
Geever
Assicurazioni Generali 789 (3.29%)
German Smaller Companies Investment Trust
Scottish Widows Group 661 (3.70%)
Gerrard & National Holdings
Barclays Bank 1,639 (4.27%)
Glynwed International
Barclays Bank 6,719 (3.30%)
Godfrey Davis (Holdings)
Barclays Bank 3,260 (3.80%)
Grand Central Investment Holdings
New Frontiers Development Trust 1,886 (4.44%)
TSB 1,700 (4.73%)
Greenfriar Investment Company
Commercial Union 363 (3.06%)
Haden MacLellan Holdings
Globe Investment Trust 2,500 (3.12%)
Prudential Corporation 2,862 (3.56%)
Hardys & Hansons
Barclays Bank 137 (3.43%)
Thames Television Pension Scheme 156 (3.90%)
Headlam Group
Future Holdings 407 (4.99%)
Throgmorton Trust 387 (3.89%)
Heath (CE)
TSB Group 1,465 (-%)
High-Point
National Westminster Bank 238 (4.81%)
Holmes & Marchant Group
Barclays Bank 721 (4.00%)
ISA International
Barclays Bank 961 (3.29%)
Interdure Group
CO Nominees 275 (3.04%)
State Street Nominees 353 (3.90%)
James Finlay
Barclays Bank 3,338 (3.44%)
Ladbroke Group
Barclays Bank 36,324 (4.24%)

Laird Group
Barclays Bank 3,848 (3.77%)
Laporte
Barclays Bank 4,880 (3.30%)
Legal & General Group
Barclays Bank 19,272 (4.01%)
Lilleshall
British Gas Pension Funds 590 (4.11%)
Schroder Investment Management 477 (3.27%)
Standard Life Assurance 603 (4.14%)
Sun Alliance Equity Unit Trust 565 (3.88%)
Sun Alliance Investment Managment 635 (4.36%)
The Lord Leveson 646 (4.43%)
Logitek
Barclays Bank 703 (3.92%)
Commercial Union 715 (3.99%)
Gartmore Investments Management 713 (3.98%)
JL Pickup 709 (3.96%)
Scottish Mutual 793 (4.43%)
London & New York Convertible Trust
Church Commissioners for England 600 (-%)
Royal Bank of Canada Group 597 (3.98%)
London United Investments
Provident Mutual 2,820 (4.80%)
Scottish Amicable Investment Managers 1,988 (3.42%)
Lookers
Barclays Bank 593 (3.04%)
Lowland Investment Company
Bank of Scotland 809 (3.45%)
M&G Second Dual Trust
Dartmoor Investment Trust 365 (3.88%)
MTL Instruments Group
Throgmorton Trust 694 (3.98%)
Marshalls
Barclays Bank 2,766 (3.00%)
Matthew Clark & Sons (Holdings)
Barclays Bank 416 (4.60%)
Sea Ray/Caledonia Limited 386 (4.26%)
Meggitt
Britannic Assurance 6,578 (4.33%)
Standard Life Assurance 6,052 (3.98%)
Mid-States
Sun Life 1,470 (3.08%)
Midland & Scottish Resources
Bank of Scotland 575 (3.80%)
Rowe Price Fleming International 545 (3.41%)
Midland Bank
Barclays Bank 27,462 (3.52%)
Millers
Standard Life 1,475 (4.75%)
Standard Life Assurance Company 1,475 (4.75%)
Mosterlin Group
Midland Bank 325 (3.41%)
Nesco Investments
Ecclesiastical Insurance Office 312 (4.08%)
North American Gas Investment Trust
Caledonia Investments 1,780 (4.97%)
Coats Viyella Pension Plan 1,250 (3.65%)
Globe Investment Trust 1,500 (4.26%)
Scottish National Trust 1,487 (4.23%)
Northern Foods
Barclays Bank 7,595 (3.42%)
Northern Industrial Improvement Trust
Framlington Group 85 (4.53%)
Northern Investors Company
Cleveland County Council Superannuation Fund 154 (3.60%)
Nurdin & Peacock
Barclays Bank 5,629 (4.63%)
Olim Convertible Trust
Robert Fleming Nominees 600 (4.00%)
Oliver Group
Barclays Nominees 288 (3.65%)
Oxford Instruments Group
Bishopsgate International Nominees 375 (-%)
Midland Bank (Overseas) Nominees 2,262 (-%)
NCB Trust 1,883 (-%)
Pacific Horizon Investment Trust
Bank of Scotland London Nominees 1,500 (3.70%)
Legal & General Assurance Society 1,595 (3.50%)
Pacific Property Investment Trust
Barclays Bank 650 (3.25%)
Pinemec
Mars Security 225 (4.95%)
Mr Bowman Scott 159 (3.45%)
Ralston Investment Trust 160 (3.47%)
Peddington
Lloyds Bank Financial Services 3,425 (-%)
Pertain Holdings
AMP Group 2,460 (4.00%)
Britannic Assurance 2,125 (-%)
Kleinwort Benson 2,125 (3.50%)
Martin Currie Investment Management 2,165 (3.50%)
Pearl Group 2,469 (4.00%)
Sun Alliance 2,423 (3.90%)
Powell Duffryn
AMP Group 2,915 (4.53%)

Presidio Oil Company
Universities Superannuation Scheme 68C (3.30%)
Principal Hotels Group
London Life 1,750 (4.09%)
MGM Assurance 1,405 (3.28%)
Property Security Investment Trust
Barclays Bank 3,904 (3.89%)
Provident Financial Group
Barclays Bank 1,930 (3.82%)
Prowting
Buckinghamshire County Council 450 (3.71%)
Commercial Union Assurance 390 (3.21%)
National Provident Institution 600 (4.94%)
Pearl Group 400 (3.30%)
The Fleming Enterprise Investment 600 (4.94%)
Quarto Group
Lothian R/C Active Smaller Company Fund 409 (3.01%)
Phillips & Drew Fund Management 409 (3.01%)
Royal Exchange Trust Company 490 (3.61%)
South Tyneside 461 (3.39%)
REA Holdings
Invesco MIM 310 (4.90%)
National Westminster Bank 229 (3.63%)
RTZ Corporation
Robert Fleming Holdings 31,100 (3.16%)
Radio Clyde
Capital Radio Investments 219 (3.46%)
Scottish Amicable Nominees 223 (3.52%)
Real Time Control
Mars UK - (4.95%)
Postal - (3.00%)
SD Scicon
British Rail 9,054 (4.46%)
Barclays Bank 7,564 (3.74%)
Sale Tilney
Port Employers 900 (3.28%)
Save & Prosper Group
Midland Bank 700 (3.89%)
Save & Prosper Linked Investment Trust
Midland Bank 200 (3.81%)
Scottish Metropolitan Property
Barclays Bank 3,715 (3.63%)
Scottish National Trust - Capital Shares
Sun Life Assurance 2,403 (3.76%)
Scottish National Trust - Income Shares
Sun Life Assurance 6,150 (3.85%)
Securiguard Group
Schroder 865 (4.98%)
Selective Asset Trust
Royal Insurance Asset Management 905 (3.12%)
Senior Engineering Group
Lloyds Bank Nominees 13 (-%)
Servomex
Manufacturers Hanover 314 (3.20%)
Rolls-Royce 318 (3.25%)
Shanks & McEwan Group
Barclays Bank 765 (-%)
Shell Transport & Trading
Norwich Union Fund Managers 122,933 (3.71%)
Prudential Corporation 140,352 (4.23%)
Sherill Holdings
Friends Provident 255 (3.92%)
Shires Investment
Abbey Life 702 (3.32%)
Sun Life Assurance 951 (4.50%)
Slam Selective Growth Trust
Allied Dunbar Assurance 735 (4.90%)
London Pensions Fund Authority 500 (3.33%)
WH Smith 500 (3.33%)
Simon Engineering
TSB Group 2,582 (3.55%)
Sinclair (William) Holdings
Govett Strategic Investment Trust 645 (4.04%)
Slough Estates
Barclays Bank 11,373 (4.02%)
Smart (J) Contractors
Norwich Union Fund Managers 499 (4.95%)
Southwest Resources
Mr Harold S Winton 9,600 (3.51%)
Stewart & Wight
Mr MH Wernicke & Family 3 (3.95%)
Stockdale Holdings
Barclays Bank 183 (4.34%)
Stratton Investment Trust
The Hon Sir John Baring 434 (3.44%)
Strong & Fisher
Barclays Bank 704 (3.77%)
Phillips & Drew Fund Management 613 (3.28%)
Sutcliffe, Speakman
BAT Industries 755 (-%)
Suter
Robert Fleming Holdings 4,270 (3.97%)
Sycamore Holdings
Mars Security 451 (4.73%)
T&S Stores
Friends Provident 2,250 (3.54%)

TR City of London Trust
Barclays Bank 5,575 (3.05%)
Standard Life 9,298 (4.85%)
TR Technology
Clerical Medical Investment Group 1,780 (4.81%)
Temple Bar Investment Trust
Invesco MIM 2,648 (4.80%)
Templeton Emerging Markets Investment Trust
Robert Fleming Asset Management 1,382 (4.20%)
Thorn EMI
Barclays Bank 9,953 (3.43%)
Tibbett & Britten Group
Barclays Bank 1,013 (3.04%)
Tomkinsons
Imperial Group 200 (4.06%)
Tor Investment Trust
Commercial Union Assurance 180 (4.57%)
Exeter High Income Trust 160 (4.23%)
Exmoor Dual Investment Trust 135 (3.56%)
Mrs EPB Clutterbuck 6,857 (3.62%)
Orion Insurance Company 186 (4.39%)
Practical Investment Company 111 (4.42%)
RLM Staff Pension Trust 7 (4.32%)
Sun Life Assurance Society 186 (4.98%)
Total Systems
Mars Security 405 (4.95%)
Turnbull Scott Holdings
RLM Staff Pension Trust 206 (4.28%)
Tyndall Holdings
Bank of Bermuda - (3.80%)
Robert Fleming Nominees - (3.00%)
Tyne Tees Television
Gartmore Investment Management 367 (3.53%)
South Tyneside 500 (4.82%)
Usher-Walker
Mr NED Walker 72 (3.38%)
Mr PR Holmes 102 (4.80%)
VPI Group
Globe Morley 1,527 (3.43%)
Vosper Thornycroft Holdings
Barclays Bank 1,092 (3.54%)
Vsel Consortium
Abbey Life 1,504 (4.21%)
Eagle Star 1,500 (4.20%)
Pearl Assurance 1,200 (3.36%)
WPP Group
Prudential Corporation 1,383 (3.30%)
WSP Holdings
Guardian Royal Exchange 384 (3.81%)
Wagon Industrial Holdings
Brittanic Assurance 1,252 (3.77%)
Warner Estate Holdings
Sun Alliance Group 1,472 (3.08%)
Wates City of London Properties
Lloyds Investment Managers 5,482 (4.56%)
Westland Group
Phillips & Drew Fund Management 4,184 (4.59%)
Wickes
Barclays Bank 5,988 (4.72%)
Mercator Asset Management 4,740 (3.75%)
TSB Group 4,625 (3.66%)
Zetters Group
Ralston Investment Trust 293 (4.49%)

CORRECTION

In the listings on Saturday it was reported that CH Bailey holds 3.8% of the Royal Bank of Canada. In fact the Royal Bank of Canada holds 3.8% of CH Bailey.

COMPANY NOTICES

The Colne Valley Water Company

NOTICE IS HEREBY GIVEN that the One Hundred and Sixty-fifth Ordinary General Meeting of the Stockholders of the Company will be held in the Assembly and Amenities Centre at the Principal Office of the Company, Blackwell House, Aldenham Road, Watford on Thursday, 28th June 1990 at 12.30 p.m. for the following purposes:

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the financial year ended 31st March 1990.
2. To confirm and declare dividends.
3. To re-elect Mr John M. Haseldine a director of the Company.
4. To re-elect Mr William A. Cosgrove a director of the Company.
5. To authorise, with effect from 1st April 1990, an increase in the provision for aggregate fees of the non-executive directors from £50,000 to a maximum of £54,000 per annum.
6. To appoint auditors in accordance with Section 384 of the Companies Act 1985.
7. To authorise the directors to fix the remuneration of the auditors.
8. To transact any other ordinary business of the Company.

Dated this 12th day of June 1990.

by Order of the Board
Blackwell House
Aldenham Road
WATFORD
Hertfordshire, WD2 2EY
J.A FENNELL
Secretary

LEGAL NOTICES

IN THE MATTER OF HASDRUBAL LIMITED
AND
IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 12th day of July 1990 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and address of their solicitors (if any) to the undersigned Mr Anthony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 12th day of June 1990
A Haji Roussos FCCA
Liquidator

IN THE MATTER OF PROCAR EXPORT LIMITED
AND
IN THE MATTER OF THE CYPRUS COMPANIES LAWS CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 12th day of July 1990 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and their solicitors (if any) to the undersigned Mr Anthony Haji Roussos Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 12th day of June 1990
A Haji Roussos FCCA
Liquidator

MANAGEMENT: The Growing Business

The power to create a personal portfolio

Eric Short explains how recent legislation has enabled individuals to invest in DIY pension schemes

Changes in the management of pensions introduced by Nigel Lawson last year in his final Budget as Chancellor of the Exchequer provide further pensions flexibility for the self-employed and those employed in small to large companies.

But it is only recently that products have begun to come on to the market which fully reflect the scale of the changes that have been taking place.

The 1986 Social Security Act embraced radical pension changes by enabling employees to make their own pension provision through personal pensions, independently of their employer. (The self-employed have for the past 35 years had to provide for their own pension, primarily with contracts from life companies.)

In last year's Budget Nigel Lawson took this a significant step further by introducing the concept of investors managing their own investments in their personal pension contracts.

However, this is not as straightforward as it seems. Individuals cannot simply go out and start making investment contributions to their own personal pension schemes.

The pension portfolio has to be set up, approved and run under the requirements of the Inland Revenue and Department of Health and Social Security. This means that, technically, the Do-It-Yourself pension contract has to be set up and administered by a life company or other personal pension provider.

That such DIY personal pension contracts are only now appearing on the market arises partly from the Inland Revenue's delay in producing details of which investments are permissible for own investment contracts. The delay is also due partly to the Department of Social Security only recently including personal pensions within its limits on self-investment.

There are three main categories of people for whom managing their own investments would be attractive.

The first and most common category relates to those self-employed and employed executives who already have their own investment manager and adviser looking after their private portfolios. They may well wish to have their personal pension assets managed by their existing advisers.

The second category relates to the self-employed and employed who actually want to manage their own pension portfolios.

The third category relates to the self-employed, primarily within partnerships, who wish to use their pension fund to finance the purchase of property to be used by the partnership.

The first of the DIY personal pension schemes for these categories of investor appeared three months ago from Guinness Mahon under the title of "The Destiny Personal Pension Management Scheme".

Other schemes have followed in recent weeks, including last week's launch of its Personal Pension Portfolio by Provident Life Association, a life company specialising in low-expense pension contracts for fee-based advisers, and Pension 101 from the financial services group Pointon York.

But to date, life companies have generally been slow to enter this field. It is the other personal pension providers, such as banks, which have seized the opportunity.

The format for such plans is somewhat uniform.

- The individual's own adviser will advise on the structure and level of contributions to the scheme. Often this adviser will be the individual's accountant and/or insurance broker or financial adviser.
- The pensions institution arranges to gain tax approval and meet the legal requirements for the personal pension contract and handles the administration of the contract.

The self-employed pay their pension contributions gross and reclaim tax on their tax returns. But employed people pay contributions to a personal pension net of basic rate tax and the institution administering the scheme reclaims this tax from the revenue.

Under these DIY plans the institution will reclaim the tax on contributions on a monthly basis and pass the money on to the investment manager.

- The investor appoints his own investment manager. However, technically, the investment manager is acting on behalf of the institution.

Such managers must be authorised under the Financial Services Act. And the life company may reserve the right not to accept the investment manager, even if authorised, though it would only exert this right in exceptional cases.

- Administration, such as reclaiming tax on dividends and rents, can be done by the investment manager or by the institution.

Guinness Mahon and Pointon York offer an "execution only" service carrying out buy and sell orders for investors running their own portfolios.

But here there could be problems since nobody can conduct investment business for another person without being authorised.

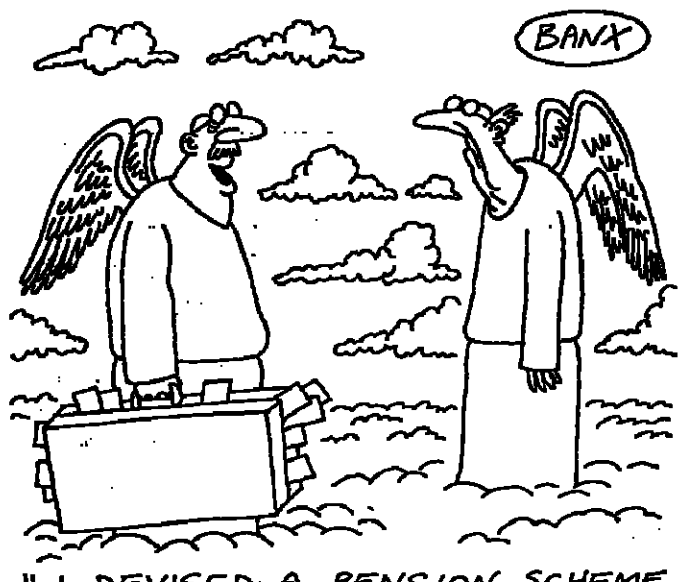
The Securities and Investments Board accepts that an individual can run his own portfolio without being authorised under the 1986 Financial Services Act. However, although there is a bar on an individual investing for another person the SIB has not made a ruling concerning an individual managing the investments of another member of the family, such as managing a spouse's portfolio.

Both institutions are playing safe and will only accept orders to buy and sell direct from the individual concerned.

The charging structure on these plans is fee-based only. Guinness Mahon has a single set-up fee of £1,100 and an annual administration fee of £350 per person. Provident Life has an initial set-up charge of £500 per person and an annual fee of £250 per person.

They both make other charges for other services.

This contrasts with charges made by life companies for ordinary personal pensions, normally an initial charge of 5 per cent of contributions and an annual management charge of 1 per cent.



"I DEVISED A PENSION SCHEME WHICH LET ME TAKE IT ALL WITH ME"

And there are no cost penalties involved under a DIY plan if the investor changes his investment manager, compared with the penalties that arise if an investor switches an ordinary personal pension between life companies.

However, these plans are intended for high earners and have high minimum contribution levels.

Investors have a wide range of approved investments:

- stocks and shares on the UK Stock Exchange, including unlisted stocks, and on recognised overseas stock exchanges;
- unit trusts, investment trusts, insurance company funds;
- bank or building society deposits;
- commercial land or property.

However, there are certain exclusions, three of which are crucial.

First, direct investment in residential property is banned, so the investor cannot use a personal pension to buy a house for himself or a relative.

Secondly, no loans can be made to the investor, either for business or private purposes, from the pension plan.

Third, connected investment deals between private and business interests are banned.

This last feature is crucial for partnerships wishing to hold in the pension assets the properties used by the partnership. Existing properties used by partnerships cannot be bought by the personal pension fund, even on an arm's length commercial basis.

However, if the partnership is seeking new properties, then the pension assets can invest in the property, which can then be leased to the partnership – a highly tax efficient arrangement.

These property restrictions contrast with the current investment practices permitted for Do-It-Yourself executive pension schemes for controlling director pension schemes, known as Small Self-Administered Schemes (SSAS).

Under an SSAS, up to 50 per cent of the scheme's assets can be lent back to the parent company on commercial terms. And connected property deals are permitted.

Controlling directors have the choice of setting up an SSAS or taking out personal pensions. These investment restrictions on personal pensions need to be taken into account in making the choice.

For executives, the choice between this new personal pension opportunity and the company-based salary-related scheme depends primarily on whether the company will contribute towards a personal pension, either directly or indirectly through a salary increase.

If the company is prepared to contribute, then a personal pension can offer better rewards than a company scheme because the limit on the tax benefit is more onerous on company schemes than on personal pensions.

Finally, employees changing jobs can invest the transfer payment from the old company scheme into a personal pension. The new DIY plan widens their choice.

It pays not to stand still

Stationery buyers should shop around, says Charles Batchelor

The stationery-buying business is a haven of calm in contrast to the cut-and-thrust world of selling faxes and franking machines. For the stationery-buyer the emphasis is still on friendly relationships with family businesses, with sales representatives strolling round for a chat about Tipp-Ex and stocks of rubber bands.

However, this genial image belies an industry with an estimated value approaching £2bn a year where careful buying can produce large savings. A survey of the prices quoted by 200 stationers for a shopping basket of 22 common office items produced responses varying from just £483 to £2,608, according to the May issue of What to Buy for Business.*

Quotes for 40 reams of copier paper varied from £75.60 to £210.80, for example, while 50 Post-it note pads cost anything from £11 to £145.

Discounts off the catalogue price are fairly easily available with cuts of around 33 per cent being common. Further savings may be made by going direct to the manufacturer or specialist supplier for bulk items, the survey suggests.

Suppliers frequently delivered a different manufacturer's product from the one ordered if they did not have the brand ordered in stock though few buyers felt this to be a disadvantage.

Usually delivery is free but some suppliers will charge for deliveries above a certain distance or for emergency orders.

Special offers may seem attractive but buyers must set the cost of storing large amounts of stationery against any savings made. Only buy in bulk if you have a lot of room to spare, the survey says. Some buyers allow the stationer's rep to check and maintain their stock levels; this keeps stocks low but has on occasion led to abuses – so it does need some monitoring.

The Great Ribbon Rip-Off, whereby a supplier delivers and bills for 12 *boxes* of ribbons instead of the 12 ribbons ordered, is still attempted by some unscrupulous companies, the survey warns.

* *UK annual subscription for 10 issues, £77.50. 11 Kings Road, London SW3 4RP. Tel 071 730 0403.*

Buy-outs focus on Continent

The value of management buy-outs in Continental Europe may overtake those in the UK this year, according to a study just published. This conclusion is attributed partly to the fact that buy-out activity in the UK, as in the US, has lost much of the steam of recent years. Consequently, investors are looking to the Continent for opportunities.

That a comparison can now be made is due to the fact that the study, the Europe Buy-out Review, has identified buy-out activity in the past ten years in 12 European countries. Published by Initiative Europe, the report includes statistical contributions from the Centre for Management Buy-out Research at Nottingham University.

France and Sweden headed the Continental league table last year, with buy-outs involving a total of £828m and £812m respectively. But the size of deal in the two countries contrasted sharply, since 130 buy-outs were completed in France but only 32 in Sweden, resulting in an average size of deal of £6.4m and £25.4m respectively.

Though the study puts West Germany in third position in the buy-out league – 25 deals involving £399m in 1989 – it says this information is less certain because of the secrecy that surrounds the market in that country.

In contrast to these totals, the UK accounted for 504 of the 877 deals identified throughout Europe and £7.5bn of the £10.5bn total expenditure. But, says the study, half the UK value was accounted for by just four deals. And since it is the "mega deals" which have been most affected by caution in the market, "1990 should prove a turning point" so far as which country dominates the European market, the study suggests.

The report contains information on a country-by-country basis; it indicates the climate for buy-outs in each, size of market, an analysis of deals completed in 1989, together with information on 75 major deals completed before last year.

**Europe Buy-Out Review, 1990 Edition, price £255 plus VAT, published by Initiative Europe, 69-71 Bondway, London SW8 1SQ.*

In brief...

■ National Westminster Bank reckons that in the last quarter of 1989 more than 148,000 new businesses were formed in the UK, pushing the total for the year to nearly 500,000 – an annual record.

The bank itself backed some 44,000 start-ups in the October-December period, which was the highest quarterly figure it has achieved.

David Powell, NatWest's head of small business services, says the total number of start-ups in the UK this year is also likely to be a record, "although we suspect this growth rate cannot be sustained indefinitely." The number of start-ups each year has more than doubled since 1984.

The rate of business failures in the UK has also been climbing, personal bankruptcies and company liquidations rising from 18,000 in 1988 to almost 20,000 last year – but that figure is still below the 21,500 failures in 1986.

■ Lloyds Bank has had a response from more than 1,500 firms in the month since it initiated a rating valuation service for any concerned with its Uniform Business Rate. The companies concerned are based in all parts of the UK and range from a gymnastics school to a fish and chip shop.

Roger Bardell, Lloyds' head of small business services, says enquiries through its Black Horse Commercial arm are "continuing to flow in daily and we are confident that, in many cases, large savings will be made by the businesses most affected."

He also points out that businesses now "have less than five months to lodge their appeal."

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GROWING BUSINESS

The Financial Times proposes to publish this survey on:

23rd July 1990

For a full editorial synopsis and advertisement details, please contact:
Antony Carbonari
on 071-873 3412

or write to him at:
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FINANCIAL TIMES
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For further information, please contact: Frank Taylor, Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE. Tel: 051-236 8214. Fax: 051-236 0258.

Kosset Division
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For further information, please contact: Alan Marlor, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA. Tel: 0532 431221. Fax: 0532 442241.

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For further information, please contact: Terry Carter, Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 071-928 2000. Fax: 071-928 1345.

N J Hamilton and W M Roberts, Joint Administrative Receivers of Coloroll Group PLC, Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Telephone: 071-928 2000. Telex: 885234 ERNSLO G. Fax: 071-928 1345.

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Tel: 0772 722822. Fax: 0772 736777.

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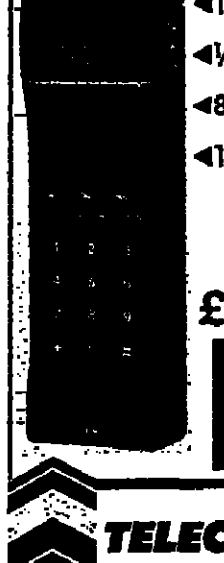

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Opec rules out meeting as output pledges renewed

By Steven Butler

MR SADEK BOUSSENA, the Algerian Oil Minister, who serves as president of the Organisation of Petroleum Exporting Countries, yesterday ruled out an emergency meeting of Opec ministers in response to the most recent plunge in oil prices following a round of telephone consultations among Opec ministers.

The consultations are understood, however, to have produced renewed pledges by oil ministers to adhere to promises given a month ago at an emergency meeting in Geneva to cut 1.45m barrels a day from Opec production.

Oil prices are languishing at 18-month lows, with Brent oil for July delivery yesterday closing off five cents at $15.52½ in European trading.

Mr Mana Said al-Oteiba, the United Arab Emirates' Oil Minister, publicly renewed his country's pledge to slash 200,000 b/d from production after a meeting in Algiers with Mr Bousenna.

The Middle East Economic Survey, the Cyprus-based weekly, yesterday reported Saudi Arabia, while impatient with the slowness of other Opec members to cut output, was not about to go back on its pledge last month to cut its own output. MEES put Saudi May output – excluding the neutral zone it shares with Kuwait – at just 5.1m b/d, against 5.7m b/d in April.

It said Saudi moves last week to lower July prices were not aimed at restoring production to April levels but merely at achieving sales up to its quota of 5.38m b/d.

MEES also quoted renewed pledges from Kuwait to produce within its 1.5m b/d quota this month.

MEES, which is an authoritative observer of Middle Eastern affairs, put Iranian production in May at an exceptionally high 3.43m b/d, up from 3.0m b/d in April, while Iraq, it said, raised its production to 3.15m b/d, up from 3.05m b/d. MEES put total May Opec production at 23.68m b/d, far above the target of just over 22m b/d.

● The Board of the London-based International Petroleum Exchange yesterday approved July 19 as the launch date for its Dubai crude futures contract, details of which are to be announced today.

China hopes for record harvest

CHINA EXPECTS a record summer harvest of grain but falling wheat prices could *dampen farmers' enthusiasm* for planting new crops, Chinese agriculture officials and diplomats said yesterday, reports Reuters from Peking.

This year's summer harvest, which should be completed by the end of this month, is expected to reach a record 97.76m tonnes, some 4m tonnes more than last year, an official at China's State Statistical Bureau said. About 90 per cent of the total will be wheat.

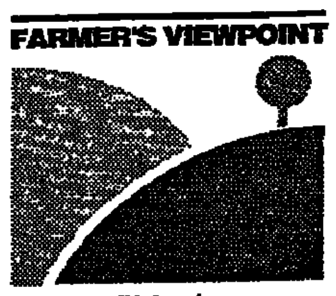
Weather has been good and the area under grain has increased from last year.

Purchases from the US, Australia and elsewhere are likely to fall, diplomats said. China imported 7.6m tonnes of wheat between July 1988 and June 1989.

Keeping tabs on merchant failures

"The difficulty is knowing which firms are fully solvent . . ."

FARMER'S VIEWPOINT



By David Richardson

I AM not a gambler, except in as much as farming itself is a gamble, nor do I have the gift of prophecy. I would, however, be prepared to bet on the topics of conversation between most farmers whenever they meet, and I would be very confident of winning.

Whether they are at market, on their farms or in the pub, the first three things they mention are the weather, the condition of their crops and livestock and prices being paid for their produce – probably in that order.

I know because I discuss such matters with my own friends and neighbours constantly and the pattern is almost always the same.

However, in recent months a couple of supplementary subjects have been added to the list.

One, which even preoccupies non-beef farmers is the "mad cow" scare and the latest twist in the story, although now that the French, German and Italian import bans have been lifted, there is perhaps a possibility that its domination as a topic will finally decline.

The other subject is the number of business failures and closures among agricultural merchants who supply feed, fertilisers, sprays and so on, and purchase the bulk of the production from many farms. Receivers have been called in to several companies recently and farmers are anxious to pick up every rumour – and there are plenty of them – about the merchants still in business in order to try to avoid selling their produce to one that may be on the brink of collapse.

To put the agricultural picture into perspective, it is worth noting that, according to a reliable broker in the credit insurance business, total UK insolvencies have been running at an average of about 50 a day over the past 12 months. Moreover, in the first quarter of 1990 business failures of all kinds were reported to be 50 per cent up on the same period last year.

Against that background, the mere 20 per cent rise in bankruptcies in the food and agriculture sector may appear to be a relatively healthy performance.

Nevertheless, some of the farm merchanting companies that have collapsed recently have been sizeable traders with multi-million pound turnovers and the knock-on effects have spread far and wide.

As well as direct farmer-to-merchant business, there is traditionally a great deal of trading between agricultural merchants. The big grain companies may well be involved in exporting, shipping and supplying bulked-up requirements for domestic millers, brewers and distillers. Such companies employ locally-based small firms as agents to secure for them some of the grain they need.

When the big boys fail with considerable debts, they are likely to force some of the smaller ones – whose entire assets may be restricted to a rented office and a couple of telephones – to call in the receiver on their own account. That, in turn, affects a secondary group of farmers and so the ripples, not to say tidal waves, spread ever wider through the industry.

Several years of squeezed margins mean that many farmers are already financially stretched and – although their asset bases may save most of them from the indignity of bankruptcy – others, like their merchants, may be forced out of business.

The reasons are not hard to find. As farmers have seen their own profits dwindling or disappearing, they have cut their purchases from merchants to the bare minimum and shopped around for maximum discounts on what they have bought.

Competition between merchants for what business there was has been intense and profit margins have been cut to the bone. Meanwhile, interest rates have continued their inexorable rise, and property values have declined. The combination of over-borrowing and heavy bank charges have led to an almost inevitable result.

The most recent significant collapse of one Suffolk corn merchant was, it is reported, precipitated by a revaluation of the assets by the company's bankers.

Relatively few of the agricultural merchants that go out of business are bankrupt, however. Most manage to pay their debts before they disappear, and some are taken over by other merchants seeking to extend their areas of influence or to cut their overheads in relation to turnover or both.

The extent of the decline in numbers of merchants can, however, be gauged from the membership figures of the United Kingdom Agricultural Supply Trade Association.

Ten years ago the association had 800 members. Today there are fewer than 500 and the fall in numbers has accelerated over the last 12 months. Membership of the Trade Association is not compulsory and inevitably some of the decline is accounted for by concerns which, for economy or other reasons, have decided not to pay the subscription. Yet the fall does give an indication of the malaise in the merchanting trade.

The difficulty farmers face is knowing which firms are fully solvent and which are not. Bankers references are generally regarded as almost worthless, giving no guarantee that goods will be paid for. Published accounts of the companies concerned are usually many months out of date and can indicate the trend of the firm's profitability and gearing only on an historical basis.

Insurance against bad debts appears to be the safest solution, but cover is seldom possible for more than 85 per cent of the value of goods sold and premiums for relatively low value agricultural commodities on a single farm basis are horrendously expensive. Many agricultural co-operatives are, in fact, now negotiating for group insurance cover measured in millions of pounds and in such cases the costs could be much lower.

In any event, a growing number of farmers are seeking even the limited protection that insurance provides.

Those who object to the premiums but fear the consequences of merchant collapse are adopting a variety of other measures. Some limit the quantity of product sold to any one merchant to predetermined amounts and will only supply more when the cheque for the previous consignment has been cleared. Others are demanding – and in some cases receiving – 90 per cent of the presumed value of any sale before delivery.

The only other course is to sell to only the few dozen big merchants with international reputations and substantial assets, whose financial backing is assumed to be totally secure, although who can be really sure even of them these days?

Most farms resent being forced to deal with such companies, which they believe have too big a slice of their trade already. They are acutely aware, however, that, if current trends continue, these few multinationals and their subsidiaries may be the only merchants left in a few years' time. Instead of doing competitive friendly deals with the merchant down the road, they will have to negotiate with faceless bureaucrats of big business.

They may get paid for their produce, but the move mirrors exactly what happened to village grocers' shops as out-of-town supermarkets grabbed their trade. The inevitable conclusion wil be that the interdependence of local businesses will decline and neither farming nor country life will any longer be so much fun.

China forecast to raise metal consumption

By Kenneth Gooding, Mining Correspondent

CHINA'S CONSUMPTION of aluminium is forecast to grow by an annual 6.35 per cent between 1989 and 2010 reaching more than 3m tonnes and accounting for about 7.5 per cent of total world demand, according to a paper from the Honolulu-based East-West Center. It also looks at the prospects for metals demand in the Soviet Union and India.

"For this reason China's current development plan stresses the expansion of alumina and aluminium production capacity," the paper points out.

It also forecasts that China's steel consumption will rise by nearly 5 per cent annually to 2010. "This suggests that China's costly imports of steel and steel products may not be reduced substantially in the next two decades," it adds.

The paper attempts to forecast demand in the three countries for six important metals: aluminium, copper, lead, nickel, steel and zinc. Demand is forecast by projecting the gross domestic product of each country and relating that to the intensity of use of the various metals.

To provide some comparison, the paper suggests that world consumption between 1989 and 2010 will grow at the following annual rates: aluminium by 3.82 per cent from 18m to 41m tonnes; copper by 2.11 per cent from 10.7 to 16.9m tonnes; lead by 2.05 per cent from 5.7m to 8.9m tonnes; nickel by 2.77 per cent from 0.87m to 1.6m tonnes; steel by 2.3 per cent from 694m to 730m tonnes and zinc by 2.13 per cent from 7.1m to 11.3m tonnes.

The paper suggests that relatively low economic, industrial and population growth rates can be expected in the Soviet Union. Therefore, consumption of aluminium, copper, lead and nickel will rise only gradually and well below the international average, by 0.83 per cent, 0.54 per cent, 0.89 per cent and 0.89 per cent respectively.

Steel, with projected growth of nearly 2 per cent a year, and zinc, with a 1.5 per cent growth expected, will show a brisker advance.

"The unusually high intensity of use of metals in the Soviet Union may be reduced as some type of market socialism is adopted where market forces, rather than planning, dictate supply and demand of raw materials," the paper adds.

India's gross domestic product is projected to increase by an average annual rate of 3.3 per cent to a value larger than that of Britain, Italy and several other industrialised countries in 2010. Consumption of metals will rise substantially to facilitate this economic growth.

The paper suggests the biggest demand growth in percentage terms will be for nickel in India, where consumption is forecast to increase by 8.7 per cent a year and rise from 19,000 to 122,000 tonnes during the 1989-2010 period.

"Soviet Union, China and India and the world metals industry to 2010." From the Resource Systems Institute, East-West Center, 1777, East-West Road, Honolulu, Hawaii 96848.

Fyffes victorious in Honduran banana battle

By David Pickles in Tegucigalpa, Honduras

FYFFES, THE Anglo-Irish banana company, has won its battle for a foothold in the Honduran export market, historically dominated by the US companies Standard Fruit and Chiquita International Brands (previously Fyffes own company).

Fyffes has been fighting for the right to the previous contractual commitment to Chiquita of the output of CAGSSA, an independent producer. It has offered prices 50 per cent above those of the Chiquita contract.

An out-of-court settlement reached in Tegucigalpa at the weekend gives Fyffes the right to 40 per cent of CAGGSA's output up to the end of March, 1991. Thereafter, CAGSSA will be a free agent. Both companies will pay CAGSSA in dollars; previously Chiquita paid in local currency. In addition, Chiquita will pay an unspecified sum in compensation to CAGSSA for the loss of banana exports, estimated at $600,000 (US) over the last two and a half months due to the blocking of shipments from Puerto Cortes by the local police and judiciary. Fyffes, which has financed CAGSSA through the conflict, now holds a mortgage on their farm.

The settlement follows pressure from both the US embassy, worried about the political consequences of Chiquita's buccaneering style, and from President Callejas, concerned that the "banana war" could prevent Honduras from cashing in on growing eastern European demand and on the 1992 liberalisation of the European banana market. Fyffes and Chiquita have now agreed to co-operate in Europe.

The agreement represents a considerble climb-down by Chiquita, which had previously insisted on its right to impose the terms of a years old contract, in spite of big changes in market conditions. Nevertheless, a deal must come as a relief: the company has been subjected to a wave of hostile propaganda in local newspapers, evoking the heyday of the banana republic. It will now have to reconsider the style of its relations with growers.

Meanwhile, Chiquita's traditional rival – Standard Fruit – has been quietly covering its back against the prospect of European competition. It has re-purchased the Isletas Farm in the Aguan Valley from an independent peasant enterprise which took over in 1974 after the farm was destroyed by Hurricane Fifi.

Isletas, which was the proudest achievement of the Honduran agrarian reform in the 1970s, has been in financial trouble throughout the 1980s, and could not finance new investments needed to protect it against flood and wind damage. The 1,000 peasant partners voted overwhelmingly in May to sell the farm back to Standard Fruit, in spite of an alternative government re-financing plan. Standard is planning $30m of banana investments in Honduras, including modernisation of Isletas.

US cotton crop predicted to rise this year

By David Blackwell in Brussels

THE US, the world's second biggest cotton grower, is heading for a crop of 16m bales for 1990-91, which would be more than 33 per cent up on last year and the highest yield since the mid-1950s, according to the International Institute for Cotton.

However, prices for cotton have risen recently, with the Cotton Outlook Index approaching 90 cents a lb, compared with just over 70 cents at the beginning of the year.

World demand is expected to edge up to 86m bales for 1990-91 compared with 85.5m bales last year. World output is likely to match demand at 86m bales – well up on last year's 80.6m bales, the institute forecasts.

Mr David Morris, the institute's director of economics and market research, said yesterday that buyers would remain nervous about the actual outcome of the US crop until the harvest in September. Some had underestimated demand for cotton goods and had to pay premiums for old crop cotton. *Stocks* of yarn and fabrics were also falling.

World raw cotton stocks began the year at only 28m bales – about four months' consumption. At these levels, people get worried, according to Mr Morris. "If something goes wrong somewhere in the world, there will be additional pressures on stock levels," he said.

The rise in US output follows a US Government decision last year to increase the planted area covered by its deficiency payment scheme to 87.5 per cent of the total from the previous 75 per cent. The support price was lowered to 72.7 cents a lb from 73.4 cents a lb.

Mr Morris does not believe prices will retreat far in the next 12 months. "If there are any problems in producing countries we will have production below consumption for the second year in a row," he says.

WORLD COMMODITIES PRICES

MARKET REPORT

NEWS OF a tentative labour contract settlement at Phelps Dodge's Chino mining complex yesterday added to the bearish pressure on an already-lacklustre copper market. Coming after last month's settlement, three weeks ahead of schedule, at RTZ's Bingham Canyon operation, the Phelps Dodge news further encouraged the view that this year's US labour round was unlikely to lead to serious disruption of production. At the London Metal Exchange the cash price fell £24 to £1,527 a tonne. Other LME markets were mostly lower in quiet trading, the only gain of any size being cash nickel's $145 advance to $145 a tonne, which was based on rumours of production problems in the Soviet Union. Continued easing of nearby supply tightness pushed aluminium prices down further and the cash quotation closed at $1,564.50 a tonne, down $13 on the day. The cocoa market continued its downtrend, the September futures position falling £24 to a 2-month low of £799 a tonne. Dealers noted that plentiful nearby supplies widened the September premium over July from Friday's £17 to £23 a tonne at one stage. But it ended at £19.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.20-3.30q	-.025
Brent Blend	$15.50-5.55q	-.050
W.T.I. (1 pm est)	$16.68-6.73q	-.020
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$214-216	
Gas Oil	$140-141	-1
Heavy Fuel Oil	$51-53	+1
Naphtha	$142-144	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$355.00	+0.50
Silver (per troy oz)♣	501c	-2
Platinum (per troy oz)	$484.75	+0.15
Palladium (per troy oz)	$117.45	+0.20
Aluminium (free market)	$1565	-20
Copper (US Producer)	118c	-1
Lead (US Producer)	45c	
Nickel (free market)	375c	+10
Tin (Kuala Lumpur market)	16.64r	-0.04
Tin (New York)	290c	-3
Zinc (US Prime Western)	87½c	
Cattle (live weight)†	108.09p	-0.24*
Sheep (dead weight)†	168.69p	-6.87*
Pigs (live weight)†	104.56p	-3.83*
London daily sugar (raw)	$327.7v	-3.8
London daily sugar (white)	$420.0v	-1.5
Tate and Lyle export price	£307.0	-2.5
Barley (English feed)	£120.0u	-0.5
Maize (US No. 3 yellow)	£144.5	-0.5
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	55.25p	
Rubber (Aug)♥	55.75p	
Rubber (KL RSS No 1 Jun)	230.0m	+1.0
Coconut oil (Philippines)§	$345z	
Palm Oil (Malaysian)§	$275q	
Copra (Philippines)§	$225.0	-2.5
Soyabeans (US)	£161	
Cotton "A" index	89.70c	-0.85
Wooltops (64s Super)	500p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Oct/Dec v-Jun/Jul. w-Jun z-Jul/Aug y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

SUGAR – London FOX			($ per tonne)
Raw	**Close**	**Previous**	**High/Low**
Aug	304.00	300.40	304.80 300.60
Oct	297.60	295.60	299.40 295.00
Dec	295.00	296.00	296.00 290.00
Mar	282.20	280.40	283.80 280.40
May	283.20	280.00	283.60 280.00
Aug	280.40	279.00	281.00 280.40
Oct	276.00	275.60	276.00 276.00
White	**Close**	**Previous**	**High/Low**
Aug	412.0	411.5	415.0 410.5
Oct	377.0	375.0	380.0 375.0
Dec	367.0	366.0	370.0 366.5
Mar	362.4	360.5	365.5 360.0
May	361.0	358.5	363.0 360.5
Aug	360.0	356.5	
Oct	346.0	346.5	346.0

Turnover: Raw3781 (3797)lots of 50 tonnes. White 1118 (1813)
Paris- White (FFr per tonne): Aug 2359, Oct 2182, Dec 2125, Mar 2106, May 2100

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jul	15.51	15.63	15.58 15.51
Aug	15.97	16.00	16.04 15.96
Sep	16.40	16.50	16.50 16.40
Oct	16.78	16.90	16.78 16.77
IPE Index	*15.50*	15.91	15.50

Turnover: 7292 (11811)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Jul	140.00	141.50	142.00 139.50
Aug	141.75	142.50	142.50 141.25
Sep	144.25	145.00	145.50 144.25
Oct	148.50	149.00	148.50 147.75
Nov	150.75	152.50	151.25 150.00
Dec	153.00	153.50	153.50 152.50
Jan	153.00	153.50	153.50 152.25
Feb	150.75	150.75	151.00 150.00

Turnover 4550 (9904)lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun 11	Jun 8	mnth ago	yr ago
1867.1	1880.6	1919.7	2013.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun 8	Jun 7	mnth ago	yr ago
Spot	131.58	132.54	136.77	130.85
Futures	132.55	132.74	134.12	131.10

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Jul	780	808	802 773
Sep	799	823	826 795
Dec	821	843	849 820
Mar	840	863	868 839
May	859	883	888 859
Jul	881	903	905 880
Sep	899	918	921 899

Turnover: 11302 (9957) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 8 998.20 (1058.42) 10 day average for Jun 11 1086.51 (1107.04)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Jul	624	629	628 622
Sep	643	645	644 638
Nov	660	659	680 653
Jan	670	675	670 670
Mar	691	691	692 685
May	700	705	701 700
Jul	720	716	720 719

turnover: 2844 (2908) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 8: Comp. daily 72.17 (72.91). 15 day average 73.61 (73.72)

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	102.4	106.5	103.0 102.4
Apr	145.0	152.6	152.0 144.0
May	161.0	170.0	161.0 161.0

Turnover 396 (311) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Aug	115.00	115.25	115.00
Oct	117.00	118.00	117.00

Turnover 81 (30) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Jun	1179	1172	1177 1170
Jul	1065	1080	1075 1060
Oct	1164	1175	1170 1160
Jan	1180	1195	1181 1175
BFI	1264	1278	1264 1264

Turnover 277 (252)

GRAINS – BFE			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Jun	118.50	119.95	119.50 118.50
Sep	113.80	113.80	
Nov	117.70	117.70	117.80 117.60
Mar	124.60	124.60	
May	127.50	127.50	
Barley	**Close**	**Previous**	**High/Low**
Sep	111.75	111.75	111.75
Nov	116.25	116.25	116.35
May	123.80	123.80	

Turnover: Wheat 44 (77), Barley 19 (26).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	136.5	137.5	
Aug	120.0	121.0	120.0
Oct	122.0	122.0	122.0
Nov	120.5	122.0	120.5

Turnover 54 (80) lots of 3,250 kg

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 9,369 lots	
Cash	1564-5	1576-9		1562-3		
3 months	1581-2	1591-2	1585/1578	1578-9	1583-4	46,334 lots
Copper, Grade A (£ per tonne)					Total daily turnover 14,196 lots	
Cash	1526-8	1550-2	1534/1528	1532-4		
3 months	1482-3	1499-500	1489/1479	1486.5-90	1481-2	80,226 lots
Lead (£ per tonne)					Total daily turnover 1,628 lots	
Cash	483-6	493-5	489½	484.5-5		
3 months	488-9	489-90	489/487	487-8	488-9	10,029 lots
Nickel ($ per tonne)					Total daily turnover 1,503 lots	
Cash	8180-90	8020-40	8025/8025	8025-30		
3 months	8190-200	8025-50	8400/8025	8070-5	8200-25	8,518 lots
Tin ($ per tonne)					Total daily turnover 8,071 lots	
Cash	6190-200	6215-25	6203/6203	6200-3		
3 months	6320-30	6345-50	6335/6310	6330-5	6325-30	6,254 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,596 lots	
Cash	1682-5	1680-5	1685/1683	1683-5		
3 months	1637-9	1632-4	1650/1626	1637-40	1637-40	19,119 lots

LME Closing £/$ rate:
SPOT: 1.6865 3 months: 1.6585 6 months: 1.6321 9 months: 1.6114

LONDON BULLION MARKET		
Gold (fine oz) $ price		**£ equivalent**
Close	354¾-355¼	210½-211
Opening	354¼-354¾	210½-211
Morning fix	354.70	211.056
Afternoon fix	354.70	210.380
Day's high	355½-356	
Day's low	353¼-353¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	360-365	213½-216½
Britannia	360-365	213½-216½
US Eagle	360-365	213½-216½
Angel	354-357	210-212
Krugerrand	364-369	216-219
New Sov.	84-86	49¾-51¼
Old Sov.	84-86	49¾-51¼
Noble Plat	490.55-498.35	290.95-295.65
Silver fix	**p/fine oz**	**US cts equiv**
Spot	296.55	499.50
3 months	307.65	509.90
6 months	318.55	520.20
12 months	340.10	542.05

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1500	83	100	4	19
1600	19	43	38	60
1800	2	14	120	126
Copper (Grade A)	Calls		Puts	
2400	144	119	13	66
2500	74	72	41	119
2600	30	40	97	185
Coffee	Jul	Sep	Jul	Sep
550	74	100		7
600	29	62	5	19
650	5	35	36	42
Cocoa	Jul	Sep	Jul	Sep
750	34	73	4	24
800	8	45	26	46
850	3	27	70	78
Brent Crude	Jul	Aug	Jul	Aug
1550	13			31
1600			49	52

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	356.4	355.7	356.8	355.6
Jul	357.6	357.0	357.5	356.0
Aug	359.7	358.2	361.8	358.4
Oct	364.3	363.6	366.0	363.2
Dec	369.0	368.5	370.8	367.7
Feb	373.6	373.0	372.6	372.6
Apr	378.1	377.5	0	0
Jun	382.8	382.2	0	0
Aug	387.4	386.8	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	486.2	488.6	489.5	485.0
Oct	491.2	494.4	494.5	489.5
Jan	496.4	499.8	501.0	495.5
Apr	501.5	505.2	507.0	0
Jul	506.6	510.6	510.5	510.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	501.2	500.7	0	0
Jul	503.5	503.3	504.9	500.0
Aug	507.5	507.3	0	0
Sep	511.7	511.5	513.0	508.0
Dec	523.1	522.8	524.5	519.6
Jan	526.6	526.3	0	0
Mar	533.9	533.7	532.7	531.5
May	541.5	541.4	542.5	539.4
Jul	549.2	549.1	550.0	546.9
Sep	557.4	557.3	558.3	555.0

TEA
There were 30,057 packages on offer this week including 10,400offshore, reports the Tea Brokers' Association.There was improved demand for the brightest Africans and better mediums which were fully firm and occasionally dearer. Plainer descriptions came to a more selective enquiry and declined by 2p to 4p per kilo where sold. Ceylons met less competition than in recent sales and proved irregularly easier.Offshore teas attracted limited support at generally lower rates. Quotations: quality 220p (220p), medium 112p (120p), low medium 75p (78p).

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	111.00	113.30	113.80	111.00
Jul	109.65	111.75	112.50	109.40
Aug	108.45	110.50	109.00	108.00
Sep	106.65	108.00	108.50	106.50
Oct	105.50	106.80	0	0
Nov	104.40	105.60	0	0
Dec	103.30	104.40	104.80	103.30
Jan	102.30	103.40	0	0
Mar	100.20	101.10	101.00	100.50
Apr	99.65	100.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	16.73	16.76	16.86	16.66
Aug	17.35	17.45	17.53	17.30
Sep	17.82	17.93	17.97	17.76
Oct	18.26	18.38	18.45	18.23
Nov	18.60	18.74	18.79	18.57
Dec	18.80	18.99	19.06	18.80
Jan	18.95	19.12	19.17	18.95
Feb	19.05	19.22	19.10	19.05
Mar	19.05	19.31	19.16	19.05
Apr	19.41	19.40	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	4675	4721	4750	4660
Nov	5180	5211	5255	5180
Jan	5370	5395	5415	5370
Feb	5365	5365	5365	5360

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	1181	1236	1254	1175
Sep	1211	1265	1263	1207
Dec	1234	1287	1305	1231
Mar	1258	1305	1320	1250
May	1274	1319	1343	1280
Jul	1286	1333	1360	1290
Sep	1300	1361	1380	1310

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	92.05	93.06	93.30	91.60
Sep	94.10	95.25	95.00	93.60
Dec	97.00	97.90	97.70	96.65
Mar	99.55	100.50	100.05	99.20
May	100.65	102.25	102.00	101.50
Jul	102.75	103.90	0	0
Sep	105.70	106.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	13.51	13.42	13.61	13.38
Oct	13.29	13.20	13.38	13.19
Mar	12.70	12.69	12.81	12.69
May	12.62	12.63	12.76	12.60
Jul	12.55	12.49	12.70	12.55
Oct	12.40	12.40	12.40	12.40

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	79.75	80.01	80.25	79.25
Oct	75.30	75.10	75.40	75.07
Dec	71.30	71.37	71.58	71.20
Mar	72.28	72.28	72.40	72.10
May	72.45	72.50	72.50	72.40
Jul	72.80	72.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	192.20	191.50	193.50	190.50
Sep	189.15	187.95	190.00	187.10
Nov	182.25	182.40	182.75	180.75
Jan	179.75	180.40	180.00	178.50
Mar	179.75	180.45	180.00	179.50
May	179.00	179.50	180.00	180.00
Jul	179.00	179.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	608/2	600/0	609/0	595/0
Aug	614/2	605/6	615/1	600/4
Sep	617/0	608/2	618/1	603/4
Nov	625/0	616/0	626/4	610/0
Jan	636/0	626/2	637/0	622/0
Mar	645/4	636/6	646/0	631/4
May	655/4	645/0	655/4	640/0
Jul	657/0	652/4	659/4	646/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	24.92	24.75	25.04	24.35
Aug	24.75	24.62	24.86	24.17
Sep	24.55	24.50	24.70	24.10
Oct	24.12	24.05	24.25	23.85
Dec	23.74	23.68	23.86	23.29
Jan	23.52	23.48	23.70	23.20
Mar	23.30	23.35	23.45	23.25
May	23.05	23.02	23.20	23.05

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	174.4	172.7	175.0	170.7
Aug	176.3	174.6	176.8	172.5
Sep	178.2	176.5	179.0	174.5
Oct	179.7	178.2	180.5	176.3
Dec	183.7	182.2	184.2	180.2
Jan	184.0	183.2	184.0	181.3
Mar	187.2	187.0	187.2	184.0
May	189.0	188.2	189.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	289/6	284/6	290/0	281/4
Sep	286/6	282/2	287/0	278/6
Dec	283/2	278/4	283/4	275/4
Mar	288/2	284/6	288/4	280/4
May	290/6	285/6	291/0	284/0
Jul	292/6	287/4	293/0	287/0
Sep	279/0	276/0	279/0	274/0
Dec	270/0	267/0	271/0	266/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	332/6	330/6	334/4	[illegible]
Sep	338/4	337/2	340/2	[illegible]
Dec	353/0	351/2	354/4	[illegible]
Mar	360/0	358/2	361/4	[illegible]
May	359/0	354/4	359/0	[illegible]
Jul	352/4	350/4	352/4	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	76.12	75.60	76.25	[illegible]
Aug	74.56	74.27	74.60	[illegible]
Oct	76.77	76.62	76.85	[illegible]
Dec	76.50	76.42	76.57	76.00
Feb	75.92	75.77	75.97	75.60
Apr	76.92	76.72	76.95	76.65
Jun	73.95	73.82	74.02	73.70

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	64.65	64.15	64.70	63.40
Jul	63.10	62.32	63.15	61.85
Aug	60.45	59.50	60.50	59.10
Oct	54.65	53.57	54.70	53.20
Dec	53.75	52.87	53.82	52.70
Feb	51.40	50.95	51.50	50.95
Apr	48.15	47.90	48.20	48.60
Jun	51.35	51.00	51.35	51.12

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	69.75	67.75	69.75	67.30
Aug	67.30	65.30	67.30	65.30
Feb	63.17	62.92	63.27	62.70
Mar	62.50	62.42	62.65	62.40
May	62.97	63.05	63.10	62.97

LONDON STOCK EXCHANGE

Retail sales figures unsettle equities

A UK stock market already showing some signs of weariness was further unsettled yesterday by a sharp and unexpected rise in domestic retail sales in May and by the withdrawal of another securities firm from equity market making in UK stocks. The market also appeared subdued by the prospect of this week's list of data on the domestic economy.

The two items of bad news came at mid-morning and effectively scotched an attempt to rally from a poor start. Share prices turned smartly down, although trading volume remained light. However, an unexpectedly firm opening to the new session on Wall Street came to London's aid and losses in the UK market were substantially reduced by the end of the day.

Account Dealing Dates		
*First Dealings:		
May 29	Jun 11	Jun 25
Option Declarations:		
Jun 7	Jun 21	Jul 5
Last Dealings:		
Jun 8	Jun 22	Jul 6
Account Day:		
Jun 18	Jul 2	Jul 16

*New-time dealings may take place from 8.30 am two business days earlier.

The FT-SE Index finished the day at 2,348.8 for a loss of 17.8. At the day's low point, the index was at 2,338.8 and dealers were beginning to look over their shoulders anxiously at the Footsie 2,300 area.

The withdrawal from market making in UK stocks by Robert Fleming, while not wholly unexpected, had a widespread effect on confidence in the marketplace.

Both Fleming and Kitcat &Aitken, the other recent casualty among marketmakers, are from the high quality end of the UK securities business, and Fleming's decision underlines the prolonged commercial pressures on marketmaking firms; further casualties in the UK securities industry are considered inevitable unless trading volumes show a significant recovery.

The news that UK retail sales had risen by 1.2 per cent in May, more than twice the rate predicted by most equity market analysts, was also taken badly. Signs that domestic spending continues to defy the Government's high interest rate policy revived the fear that rates could even be forced higher.

However, there was little obvious selling pressure in the equity market yesterday; in fact the main feature of the session was the lack of business. Seaq volume dropped to 375.6m shares from Friday's 444.2m, and yesterday's total included a significant proportion of deals transacted between marketmakers.

Corporate developments, which played a significant role last week in bringing the market back from its best levels, had less impact yesterday. British Steel made little response to its annual results, nor were the water issues upset by Anglia Water's comments on higher costs ahead.

Guinness performed well after LVMH, the French luxury goods manufacturer, successfully concluded its tender offer for a further 6.8 per cent of the UK brewing group's equity. Takeover speculation, focused around the *insurance sector*, provided what few other features there were in a lacklustre market.

FINANCIAL TIMES STOCK INDICES

	June 11	June 8	June 7	June 6	June 5	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.45	78.78	78.70	78.61	79.19	84.43	84.29 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.83	87.95	87.41	87.56	87.74	95.41	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1877.9	1882.7	1904.0	1881.0	1893.9	1770.4	1968.3 (3/1)	1853.8 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	187.5	185.1	187.9	202.9	198.6	182.6	378.5 (9/2)	185.1 (8/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2348.8	2366.6	2378.4	2358.5	2380.1	2138.3	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.91	4.89	4.86	4.92	4.89	4.55				
Earning Yld %(full)	10.92	10.92	10.86	11.04	10.97	11.03				
P/E Ratio(Net)(*)	11.19	11.06	11.12	10.94	11.01	10.98				
SEAQ Bargains 4.45pm	24,528	31,097	29,380	27,457	32,227	24,670				
Equity Turnover(£m)†	-	1030.25	1077.91	899.93	1201.49	1146.12				
Equity Bargains†	-	32,379	29,925	27,848	32,517	27,178				
Shares Traded (ml)†	-	459.1	469.6	368.9	491.8	434.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 11.07

Ordinary Share Index, Hourly changes — Day's High 1883.7 — Day's Low 1871.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1876.7	1882.0	1880.0	1882.3	1878.6	1873.1	1873.1	1876.5	1879.5

FT-SE, Hourly changes — Day's High 2358.4 — Day's Low 2335.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2351.3	2351.8	2351.8	2354.8	2350.5	2340.0	2339.8	2343.5	2351.8

GILT EDGED ACTIVITY

Indices	June 8	June 7
Gilt Edged Bargains	81.5	87.3
5-Day average	86.8	87.8

†SE Activity 1974. ‡Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 29 available on request. London report and latest Share index: Tel. 0898 123001.

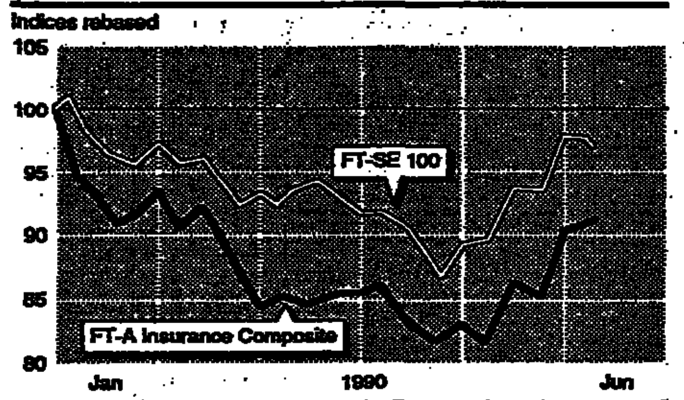
Guinness active on tender

GUINNESS put in one of the best performances of the day among the mainly dull FT-SE 100 stocks. The company announced that the tender offer for its shares had been 100 per cent oversubscribed. The striking price was set at 810p, below the maximum of 825p but above many analysts' expectations. The share purchases take the stake in Guinness held by LVMH, the French luxury goods group, to 24 per cent. The cross-holding is now symmetrical.

Mr John Wakely at Shearson Lehman Hutton said the fact that the tender was struck at more than £8 indicated that Guinness shareholders were reluctant to take profits. This seemed to be confirmed by the good trading volume of 7.5m. Traders said there was busy two-way business. Those who had sold in the tender bought back in at a lower price, and some who had not sold were tempted to take some profits as the price rose.

Guinness peaked at 793p but closed 5 below that, still a net improvement of 9. Guinness was easily the busiest instrument on the traded options market. Contracts for the equivalent of 3.1m shares changed hands.

Because the tender was oversubscribed, LVMH did not call upon S.G. Warburg, which had overwritten the issue, to deliver any further shares. Warburg climbed 2½ to 438p ex-dividend.



Insurers active

Renewed bid speculation hit the insurance sector (See chart for recent price movements) yesterday as talk that Sun Alliance was planning to take a majority stake in Commercial Union swept through the market. Sun Alliance bought a 14.5 per cent holding in Commercial Union in August 1989, and at the time made it clear that its stake was an investment.

Since then there has been talk in the market that Sun may change course, and yesterday some traders believed it could choose the anniversary of taking its stake in Commercial as the time to launch a bid. Sun Alliance declined to comment on the suggestions.

Commercial Union rose from 511p to 520p before eventually settling at 517p, a rise of 6 on the day. Analysts added that a shortage of stock had exacerbated the day's movements. Meanwhile, Sun Alliance closed a penny better at 324p.

The activity followed speculation last week that Legal & General was involved in merger talks with a Dutch insurance group. Legal closed 5 higher at 418p.

Lloyds Abbey Life ended 10 down at 312p, having traded as low as 309½p, following suggestions that one of its consumer credit divisions had suffered an increase in bad debts. Some analysts said there had also been suggestions that its new business figures had not matched those of the rest of the industry.

The banking sector received a jolt after Barclays announced that it expected to make provisions of around £100m against commitments to British & Commonwealth.

But the sector soon started to recover on relief that the provisions were not any higher and that uncertainty had been cleared away.

An analyst commented: "At least the provisions have now been quantified and it removes some of the risk for shareholders." Barclays closed 4 lower at 396p, while NatWest was 6 off at 339p.

Volume in water stocks was low as investors and traders were discouraged by the Stock Exchange's recommendation that trading in the account that started yesterday be done for cash. Trading in the next account will be as usual and the account after that for cash again.

This is to make share registers as up-to-date as possible for both the distribution of notices for and the payment of the second cash call on the partly paid water stocks. Similar exercises have been conducted on other partly-paid privatised stocks. The call, for 70p a share and £700 for the Package, is due on July 31.

Anglian Water, which posted a 17 per cent rise in year-end profits to £86.1m, eased 2 to 152p. Others marked time, although there was slight interest in the Package, £3 firmer at £1513. "When people are uncertain, the Package is less risky," said one trader.

Oil issues held up well as others around them slipped. Analysts pointed out that the sector had closed at a seven-month low relative to the rest of the market at the end of last week. Some speculators took the view that any further weakening of the crude price would prompt Opec into trying to take action. Both British Petroleum and Shell closed unchanged on the day at 318½p and 455p respectively.

Ultramar's good performance – the shares rose 5 to 349p – mystified many traders and analysts. One US house was persistently on the bid and volume was light.

British Gas fell 4¼ at one stage after Ofgas, the UK Government's regulatory body, confirmed it would conduct a review of gas pricing. Analysts pointed out that this had been expected and the price recovered slightly to close a net 3 weaker at 217½p.

Amersham International rose 13 to 302p following an 11.7 per cent rise in profits to £23.9m, which was at the upper end of analysts' expectations. Dealers said a shortage of stock had contributed to the day's advance. Amersham rose to 306p but later fell back after analysts met with the company and learnt that profits had been boosted by exceptional items. UBS Phillips & Drew said it had raised its profits estimate for this year to £23m from £22m but remained cautious towards the stock at its current rating. ICI rose 6 to 1222p on modest US buying in a thin market.

Better than expected traffic figures from British Airways helped the shares recover from a day's low of 207p to close a net penny off at 209p. Wary morning press comment left Eurotunnel 12 lower at 498p.

British Steel posted a 24 per cent rise in full year profits in line with analysts' expectations. Trading was dull and the shares slipped 2 to 145½p.

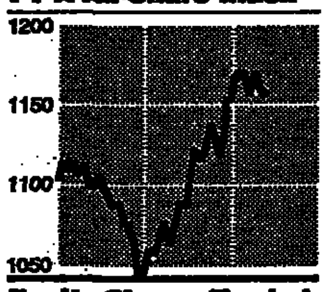
Triefus, the small diamond tool maker, jumped 43 to 175p following a late announcement last Friday that Asahi, a Japanese precision equipment maker, had launched a £19m non-agreed bid.

Argyll eased 8½ to 226½p in busy trade as 4.6m shares changed hands. Dealers said a block of around 1m shares had been sold early on and had depressed the market. Unilever lost 9 to 684p following the weakness of Unilever NV in New York on Friday. Hillsdown eased 5 to 267p on recent adverse press comment.

Shares in Levercrest, the playground surfacing and equipment concern, closed at 115p after the first day of dealings in the stock, which was placed at 108p.

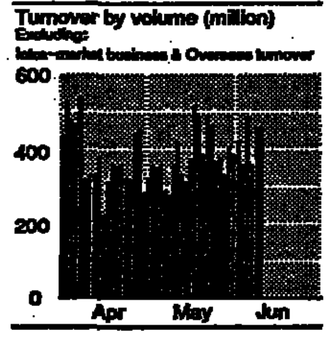
■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 36.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (40). BRITISH FUNDS (6) BANKS (1) BUILDINGS (1) STORES (4) ELECTRICALS (7) ENGINEERING (2) INDUSTRIALS (10) Barry Wehmiller, Simeo Inds., Darby Grp., Halma, Hepworth, Huntleigh Tech., Mosaic Invs., Robertson Grp., Triefus, Wolseley, INSURANCE (1) SHOES (1) TEXTILES (1) TRUSTS (3) OILS (2) OVERSEAS TRADERS. NEW LOWS (78). BANKS (2) BUILDINGS (3) STORES (3) ELECTRICALS (3) ENGINEERING (1) FOODS (3) INDUSTRIALS (11) Anglo Utd., Apollo Watch Prods., Beaverco, Bluebird Toys, Bogod Grp "A", Corton Beach, Davies (D.Y.), Isotron, Lincoln House, Radiant Metal, Russell (A.), INSURANCE (7) LEISURE (4) MOTORS (1) PAPERS (2) PROPERTY (7) SOUTH AFRICANS (1) TEXTILES (1) TRANSPORT (2) TRUSTS (7) OILS (2) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (12) THIRD MARKET (3).

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

New role at Wimpey Group

Mr Antony Digby-Bell has been appointed financial controller, a new post, for WIMPEY's civil engineering, international and major projects divisions. He was finance director at ARC Construction. Mr Malcolm Allitt has been appointed director and general manager, Wimpey Engineering.

■ Mr Anthony Mason has been appointed group finance director of PSA SERVICES. He was group finance director, Beecham Pharmaceuticals.

■ Mr Bob Whitley has been appointed managing director of WORCESTER CONTROLS (UK), a BTR subsidiary. He succeeds Mr Peter Talbott who is moving to Germany to take charge of Argus, a recently-acquired company.

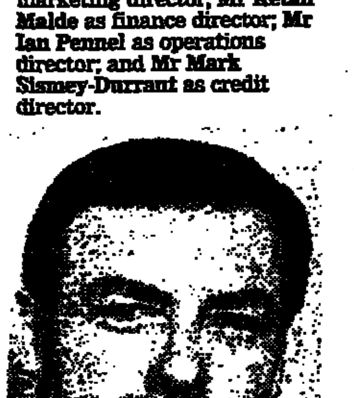
■ Mr Peter Shepherd has been appointed group financial controller of WAGON INDUSTRIAL HOLDINGS. He was with Price Waterhouse, Birmingham.

■ Ms Maria Hamilton-Lyons has been appointed director of operations at READYCALL, Bromley, a Scandex company. She was director of major accounts at Aircall.

Dr Paul Boseley (*pictured*), director of research and development, Agricultural Genetics Company, whose expertise is molecular biology, has been appointed to the Government's new Advisory Committee on Release to the Environment (ACRE) which advises on the safety of genetically modified organisms.

■ Mr Michael Woodhead, a former BWD Securities director, is to join EASTWOOD RENSHAW, Huddersfield, as a non-executive director.

■ CONFEDERATION BANK, wholly-owned subsidiary of Confederation Life Insurance Co, has appointed Mr Chris Watts as managing director; Mr Nick Broughton as marketing director; Mr Ketan Malde as finance director; Mr Ian Pennel as operations director; and Mr Mark Slaney-Durrant as credit director.



WATERGLADE INTERNATIONAL HOLDINGS has appointed Mr John Edwards (*above*) as group finance director. He was group finance director of Bejam.

■ Viscount Tenby has been appointed chairman of ST JAMES PUBLIC RELATIONS, part of Lopex. He is a director of Williams Lea & Co.

■ The National Association of Information Technology Centres (NAD) has appointed Dr Matthew Dixon as its first chief executive.

■ Mr Gregory Marposon and Mr Stephen Lunt have been appointed directors on the swaps and derivative products desk at PRUDENTIAL-BACHE CAPITAL FUNDING's London office. Mr Marposon was in the New York office and Mr Lunt in the Toronto office.

■ JOHN FOSTER & SON, Bradford, has appointed Mr Graham Creswick as financial director designate. He joins the company on July 1, and takes up the post on August 1. Mr Creswick, who was group financial director of Silentnight Holdings, succeeds Mr G. David Breton who is taking early retirement next year.

■ ALTNACRAIG SHIPPING has appointed as non-executive directors Mrs Arnhild Jebsen, a substantial shareholder, and Sir Gordon Manzie, who recently retired as chief executive of the PSA.

HILL SAMUEL INVESTMENT SERVICES GROUP has promoted Mr John Penny (*pictured*) from director, UK operations, to group chief executive.

■ Mr Trevor Sharp has been appointed financial controller of EG&G ASTROPHYSICS, Windsor. He was with GTS Flexible Materials.

■ JOHN LAING DEVELOPMENTS has appointed Ms Helen Gordon to the board. She is development manager.

■ INSTINET UK, part of Reuters, has appointed Mr Bryan Cavill as managing director in succession to Mr Bob Ballou who is leaving to pursue other interests. Mr Cavill was managing director of ANZ McCaughan Securities (UK) and Anzstock Securities (UK).

■ Mr John Dalby has been appointed chairman of PRP OPTOELECTRONICS. He was managing director of Motorola Communications.

LEEDS PERMANENT BUILDING SOCIETY has appointed Mr Paul Martin (*pictured*) to the new post of group planning, control and compliance officer. He was with KPMG Peat Marwick McLintock.

■ Mr Colin Hargrave has been appointed retail development director of ALEXON BRANDS. He was sales and marketing director at Grant Seward, and succeeds Mr Frank Cox who has moved to Berkertex.

■ ROLLS WOOD GROUP (REPAIR & OVERHAULS), a recently-formed joint venture between Rolls Royce and Wood Group Gas Turbines, has appointed Mr John Dodgson as operations manager. He was with Wood Group.

■ GE CORPORATE FINANCE GROUP, London, has appointed Mr Olivier Trouveroy as a director with responsibility for expansion into the French market. He was a first vice president, mergers and acquisitions group, Drexel Burnham Lambert, New York.

■ BAYERISCHE LANDESBANK GIROZENTRALE has appointed Mr Michael Wickham as assistant general manager, institutional and corporate banking, at its London branch. He was director of Credicorp.

■ INDEPENDENT NEWSPAPERS has appointed Mr John Carroll to the main board as corporate development director.

Double-glazing leader makes senior changes

STORMSEAL (UPVC) WINDOW CO has appointed Mr Peter Knowles as financial director. He was financial controller.

Mr Tony Bailey moves from sales and marketing director at Danum Windows, Doncaster, to north west divisional general manager of StormSeal. Mr Mando Miniero becomes midlands divisional general manager. He was area manager, 21st Century Marketing, and succeeds Mr Steve Newton, who becomes sales and marketing director at Danum.

Mr Eamie Rossall, formerly north west divisional general manager, becomes director and general manager for the trade and commercial products division of the group's latest acquisition, Crittall Warmlife, Colchester.

Mr John Moran, formerly sales director of Thermastor, joins the group as sales and marketing director at Crittall, and Mr Gary Morton, sales director, has been promoted to managing director of Premier Profiles.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	213	.....	44c	1.4	9.3	7.6
219	172	Abbey National 10p	201	–3	5.7	4.3	3.8	8.2
274	210	Allied Irish Ord	235	.....	Q40%	♦	4.0	♦
£13¾	£11¼	Algemene Fl 10	£11¼	+⅛	Q28%	2.1	7.8	6.0
85	73	Anglo Irish	73	.....	Q18.7%	2.7	6.0	10.0
81	58	Ansbacher (H.) 1p	77	.....	2.5	1.3	4.3	22.2
£71¼	£54¼	Bancaire Cie Fr100	£68	+¾	Q12¼%	–	2.3	–
£22¼	£16½	Banco Bilbao Viz	£19	.....	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27	.....	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	257	.....	Q14.3%	♦	5.3	♦
£19½	513	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	104	Bank Scotland	117	–2	4.55	3.3	5.2	7.8
100¼	83¼	Do 9¼pc Irrd Pf	93¼	–½	9¼%	–	13.3	–
54	39	Bank of Wales	46	.....	2.8	0.8	8.1	(22.1)
438	352	Barclays £1	396xc	–4	h19.57	3.5	6.6	5.5
22	12	Benchmark 20p	13	+1	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	310xd	–2½	12.0	♦	5.2	♦
455	361	Cater Allen £1	415	+4	23.5	–	7.6	–
179	129	Chancery	129	–2	†8.0	2.8	8.3	5.7
£23¼	£19¼	Commerzbk DM10	£19¼	–⅜	Q18%	–	3.5	–
£13½	842	Dai Ichi KBk Y50	889	–7	Q17%	♦	0.4	♦
[illegible]	[illegible]	Deutsche Bk DM50	£267½	–1¼	Q28%	–	1.9	–
£20¼	£19	Espirito Santo	£19¼	+¼	Q75c	♦	2.3	♦
252	183	First Nat. Fin. 10p	215	–1	13.0	2.4	8.1	6.6
121	96	FNFC 6.3pc Cn. Pf	110	.....	6.3%	–	7.6	–
£13¼	£10½	Fuji Bank Y50	£10½	.....	Q17%	♦	0.3	♦
325	262	Gerrard & National	279	.....	19.0	♦	9.1	♦
154	128	Guinness Mahon 10p	128	.....	2.1	–	2.2	–
323	223	Hambros 20p	270	+2	†10.0	–	4.9	–
128	93	Do 7.5pc Cv Pf	107	–1	7½%	–	9.3	–
53½	43	HK & Shang HK$2.50	44	.....	hQ38c	–	6.5	–
479	456	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
150	126	King & Shaxson 20p	146	.....	10.25	♦	9.4	♦

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	......	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	215	......	6.0	♦	3.7	♦
190	145	Bostrom 5p	176	+1	5.75	3.1	4.3	8.1
266	191	Dowty 50p	245	+1	10.0	2.3	4.4	12.9
239	152	FR Group	155	+1	6.37	3.2	5.5	7.4
135	63	Kwik-Fit Hldgs. 10p	81	......	2.4	1.7	4.0	20.4
173½	142	Lucas Inds.	164	−2½	16.25	3.0	5.0	7.5
16	8½	Spice 5p	8	......	q1.2	0.4	‡	61.3

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	24	−1	1.0	3.0	5.6	7.2
135	110	Appleyard 10p	116	......	7.8	2.4	9.1	5.3
110	75	[illegible] Motor 20p	85	......	7.5	1.9	11.8	6.1
568	495	Caffyns 50p	495	−3	11.5	♦	3.1	♦
121	98	Central Motor Auctns	98	......	3.25	3.0	4.4	9.9
61	26	Cook (D.C.) Hldgs.	36	......	t1.33	–	‡	–
89	33	Cowie (T.) 5p	47	−2	4.2	2.2	11.9	4.4
95	68	Dagenham Motors 10p	73	......	5.25	2.8	9.6	5.0
98	81	Davenport Vernon 10p	93	......	3.5	3.6	5.0	6.5
29	16	Equity & Gen 5p	20	......	1.5	1.7	10.0	(7.1)
247	169	Evans Halshaw	184	−1	11.25	2.4	8.2	6.7
113	85	Gates (F. G.)	103	......	2.75	♦	3.6	♦
161	106	Gowrings 10p	116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
58½	50	Brit. Emp. Secs. 10p	54	......	0.71	1.8	62.7	13.9
29	15	Do. Warrants	15	......	–	–	–	–
667	560	Brit. Invest.	625xd	−2½	21.3	4.6	778.4	19.6
177	153	Brunner Inv.	170	......	3.75	2.9	195.7	13.2
59	46	CST Emerg Asia 10p	53	......	0.35	0.9	62.9	15.7
28	17	Do. Wrnts 10p	18	......	–	–	–	–
43	35	Child Health 10p	35xd	......	–	–	–	–

[illegible]

INVESTMENT TRUST — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
45½	34½	Sphere Inv. Tst. Inc.	36½	......	u3.87	14.1	39.8	8.3
53½	48½	Do. Zero Dv Pf.	53	......	–	–	–	–
13½	8½	Do. Wrnts	10	......	–	–	–	–
142	120	Strata Investments	130	......	1.15	1.2	165.0	21.1
148	132	Stratton Inv. Tst.	141	−1	1.13	1.1	177.3	20.5
105	90	TR City of London	102½	......	u4.12	5.4	109.2	6.2
107	79	TR Far East Inc. Tst.	89	......	N4.0	6.0	101.0	11.9

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
210	162	Hardy Oil & Gas 50p	175	−4				♦
138	120	[illegible] Pet Crpn.	122	+1				
27	15½	KCA Drilling 1p	17½	......				
35	11½	Kelt Energy 10p	15	+1				
60	18	Do. 6pc Cv. Prf.	20	......	6%			
148	111	Kingston Oil & Gas 50p	123	......	a1.11	4.5	1.2	18.6
425	360	LASMO	383	−3	b7.5	1.6	2.6	27.9
170	130	Do. "Ops" 10p	155	−3	21.61	–	18.6	–

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

Miscellaneous

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
190	135	Anglesey Mining 9p	135	......	–	–	–
110	60	Do. Warrants	68	......	–	–	–
17	12½	Anglo-Dominion	12½	+¼	–	–	–
651	409	Bond Intl. Gold	409	−14	–	–	–
37	15	Butte Mining 10p	19	......	–	–	–
44	15	Colby Res Corp	15	......	–	–	–
122	35	Cons. March. 10c	45	......	Q30c	5.5	17.1

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	838	......
Finlay Pkg. 5p	53	......
Holt (Jos) 25p	1300	......

IRISH

Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£94½	......
Fin. 13% 97/02	£112¼	......
Arnotts	410	−5
Carrol (P.J.)	142	......
Hall (R. & H.)	172	......
Helton Hldgs.	75	+1
IRG	205	......
United Drug	163	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	93
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	38
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	50
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	18
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.12	52.69	56.05	....	4.89
Gilts & Fixed Int	6	103.5	103.9xd	109.7	....	10.09
High Inc Equity	6	134.7	138.4	147.2	-0.7	4.31
Worldwide Bond	6	191.8	191.8xd	203.2	+0.4	6.35
Capital Growth						
American Growth	6	192.8	194.6	207.0	-1.6	1.13
Asian Pacific	6	141.7	144.7	153.9	-0.2	0.00
Assets & Earnings	6	156.9	156.9xd	167.8	-0.7	2.89
Capital Reserve Acc	0	92.53	92.53	92.72	+0.05	7.70
Capital Reserve Inc	0	77.77	77.77	77.93	+0.04	7.70
Comdty & Energy	6	94.89	94.89	101.4	+0.3	0.00
Dividend & Growth	6	48.43	49.55	52.71	....	4.27
1992 Enterprise	6	62.83	64.21	68.3	-0.09	1.96
Euro Capital Acc	6	103.4	103.4	110.5	-0.5	0.90
Euro Capital Inc	6	99.23	99.23	106.1	-0.4	0.90
General	6	176.1	176.1	188.3	-1.1	2.66
International	6	61.14	61.91	65.86	-0.4	0.76
Japan	6	102.3	102.3	109.4	-1.2	0.00
Mastertrust	6	90.67	90.67	96.97	-0.39	1.53
UK Growth Acc	6	176.2	176.2	188.4	-0.4	2.63
UK Growth Dist	6	115.1	115.1	123.1	-0.3	2.63
US Emerging Cos	6	59.74	61.15	65.03	+0.02	0.00
Income & Growth	6	300.6	300.6xd	321.4	-1.7	3.19
Ethical	6	47.08	47.08xd	50.35	-0.23	1.99
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.09	33.19	35.43	-0.10	2.22
European	5¼	92.95	93.04	99.30	-0.25	0.00
European Income	5¼	88.98	88.98xd	94.89	-0.20	1.39
Exempt	1	765.6	765.6	789.3	-1.80	1.24
Exempt Income	3¼	178.7	178.7	189.0	-0.70	4.56
Exempt American	3¼	391.2	391.2	409.8	-1.40	1.40
Exempt Pacific	3¼	273.0	273.0xd	287.1	-3.60	0.00
Extra Income	5¼	42.43	42.43xd	45.29	-0.21	5.60
F East Emerg Econs	5¼	65.98	66.27	70.97	-0.30	0.00
Fund Inv Tst	5	128.5	132.8	141.7	-0.40	1.31
Do Accum	5	203.1	209.8	224.0	-0.60	1.31
Gilt & Fixed Int	5¼	16.46	16.89xd	18.03	+0.02	13.98
Intl Income	5¼	64.10	64.10xd	68.42	-0.64	4.28
Japan	5¼	176.0	176.0	187.8	-2.00	0.00
Pacific	5¼	44.63	44.66	47.83	-0.10	0.00
Smaller Companies	5¼	50.90	50.90	54.39	+0.15	1.83
Special Situations	5¼	63.32	63.32	67.59	-0.08	0.60
UK Growth	5¼	36.96	37.46	39.99	-0.14	1.65
World Growth	5¼	55.97	55.97xd	59.74	-0.32	0.00

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
North American	6	65.67	65.67	69.94	-0.26	0.38
Orient §	6	120.8	121.6xd	130.2	-1.00	-
Recovery	6	44.80	44.80xd	47.71	-0.28	3.80
Smaller Cos Acc	6	240.3	240.3	256.0	-0.30	-
Smaller Cos Inc	6	147.2	147.2	156.8	-0.10	1.28
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	191.1	191.1	197.9	....	5.66
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	60.06	60.06	63.66	-0.4	3.12
(Accum Units)	5¼	62.19	62.19	65.92	-0.42	3.20
Fellowship Tst	5¼	63.31	64.11	68.21	-0.18	3.04
(Accum Units)	5¼	66.19	67.03	71.31	-0.19	2.50
General Inc	5¼	293.9	293.9	311.5	-1.9	3.62
(Accum Units)	5¼	511.6	511.6	542.3	-3.5	3.67
Income	5¼	157.6	160.2	170.0	-0.7	4.04
(Accum Units)	5¼	320.0	325.2	345.0	-1.4	4.48
International	5¼	103.8	103.8	110.0	-0.7	1.00
(Accum Units)	5¼	143.5	143.5	152.1	-1	1.00
Smaller Co's	5¼	99.88	101.6	108.1	+0.1	2.21
(Accum Units)	5¼	110.7	112.7	119.9	+0.2	2.21
Inv Portfolio	3	55.60	55.60	57.58	-0.44	3.45
(Accum Units)	3	58.29	58.29	60.39	-0.47	3.45
High Income Port	3	46.66	47.63	49.36	-0.19	4.60
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.44	56.44	57.29	+0.04	6.93
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5½	47.65	48.46	51.56	-0.16	5.5
CCF Sel Intl Gwth	5½	48.27	48.27	51.96	-1.08	1.44
CCF Sel Inv Tst	5½	47.92	49.09	52.23	-0.17	2.01
CCF Sel UK Sm Co's	5½	45.83	47.31	50.33	-0.02	2.00
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	55.26	56.45	60.05	-0.38	2.86
Global Tst	5½	47.04	47.56	50.60	-0.21	0.35
Recovery Tst	5½	47.53	48.73	51.84	-0.32	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000						
Growth Fd Acc	5	117.4	118.9xd	125.4	-0.58	4.75
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	104.8	106.5	113.3	-0.8	2.64
UK Income	6	102.6	104.4	111.1	-0.3	5.85
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 071-242 1148						
CS America F	5	63.28	63.28	67.31	-0.13	1.06
CS International F	5	59.05	59.05xd	62.81	-1.38	1.27
CS Japan F	5	140.3	140.3	148.7	-1.7	1.02
CS Portfolio Inv F	5	72.98	72.98xd	77.63	-0.31	2.58
Canada Life Unit Tst Mngrs Ltd (1200)F						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Unit Trusts Ltd (1200)F						
192 Eyre Street, Sheffield S1 3RD 0742 529888						
British Tst	6	62.32	62.32	66.65	-0.40	3.07
(Accum Units)	6	64.81	64.81	69.32	-0.49	3.07
Capital	6	109.7	109.7	117.3	-0.9	3.47
(Accum Units)	6	159.8	159.8	170.9	-0.5	3.47
European Growth	6	160.0	160.0xd	170.4	-0.8	0.65
(Accum Units)	6	197.3	197.3	210.1	-1	0.65
Extra High Inc	6	64.95	66.18	70.78	-0.49	7.33
(Accum Units)	6	92.92	94.72	101.3	-1	7.33
Gilt & Fxd Int	4	46.71	46.71xd	48.78	+0.04	10.15
(Accum Units)	4	100.4	100.4	104.9	+0.1	10.15
High Yield	6	196.5	196.5xd	210.2	-1.8	5.86
(Accum Units)	6	398.6	398.6	426.3	-3.6	5.86
Income	6	242.1	245.2	262.2	-1.7	4.59
(Accum Units)	6	445.9	451.5	482.9	-3.1	4.59
Intl High St UT	6	58.38	58.38	62.44	-0.23	1.75
(Accum Units)	6	60.58	60.58	64.79	-0.25	1.75
Japan Growth	6	342.7	342.7	366.5	-4.6	0.00
(Accum Units)	6	360.2	360.2	385.2	-4.9	0.00
Mandarin Tst	6	70.51	70.63xd	75.54	-0.25	1.15
(Accum Units)	6	71.59	71.71	76.70	-0.30	1.15
Mngd P'folio Acc	6	72.71	72.53	77.57	-0.4	2.51
Money Market UT	1½	49.84	49.84xd	50.59	+0.04	13.66
(Accum Units)	1½	58.07	58.07	58.94	+0.05	13.61
North American	6	123.3	124.9xd	133.6	-0.3	0.94
(Accum Units)	6	152.3	154.2	164.9	-0.4	0.94
Smaller Cos	6	144.7	144.7	154.8	+0.6	2.70
(Accum Units)	6	162.0	162.0	173.3	+0.7	2.70
Meridian Income	6	105.6	105.6	112.9	-1.2	4.34
(Accum Units)	6	111.7	111.7	119.5	-1.2	4.34
Meridian Growth	6	119.4	119.4	127.7	-0.6	2.34

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Phillips & Drew Unit Managers Ltd (1400)F						
14 Finsbury Square, London EC2A 1PD 071-628 6070						
Charities Fxd Int June 6	¼	93.57	93.57	93.94	....	10.7
Charities Intl Ut June 6	¼	100.8	100.8	101.1	....	2.6
UK Exempt May 31	¼	104.0	104.0	106.0	....	5.6
Charities Intl June 1	¼	123.4	123.4	125.2	....	2.9
Principal Unit Trust Mngmt Ltd (1600)F						
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700						
Principal Tst	5½	97.00	98.23	104.50	(z)	3.50
Prolific Unit Tst Mngrs Ltd (1100)F						
222 Bishopsgate, London EC2 071-247 7544/7						
American Income	5	64.22	64.22	68.31	-0.1	3.34
Conv & Gilt	5	109.3	109.3xd	116.2	+0.3	8.04
Euro Gwth & Inc	5	63.00	63.00	67.16	-0.30	1.10
Extra Income	5	134.9	134.9	143.5	+0.1	5.05
Far East	5	273.6	273.6	291.6	-2.0	0.01
High Income	5	87.03	87.05	92.58	-1.45	4.78
International	5	167.0	167.0	177.6	-2.3	0.14
Nth American	5	158.9	158.9	169.4	-0.9	0.29
Pref & Fxd Int	5	36.17	36.17	38.51	-0.06	10.44
Special Sits	5	110.8	110.8xd	118.1	-0.4	1.59
Technology	5	156.2	156.2xd	166.1	-0.9	0.09
Providence Capital Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 081-749 9111						
European Acc	5	151.3	151.3xd	162.0	-0.4	0.66
European Inc	5	145.1	145.1xd	155.4	-0.4	0.66
Japan Acc	5	101.7	101.7	108.9	-1.6	0.00

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Providence Capital Fd Mgrs Ltd—Contd.						
Japan Inc	5	101.5	101.5	108.7	-1.6	0.00
Nth American Acc	5	65.49	65.49	69.69	-0.63	0.96
Nth American Inc	5	62.77	62.77	66.78	-0.61	0.96
UK Equity Acc	5	86.87	86.87xd	93.27	-0.61	3.60
UK Equity Inc	5	77.19	77.19xd	82.88	-0.54	3.60
Worldwide Acc	5	116.9	116.9	126.8	-0.9	0.82
Worldwide Inc	5	112.0	112.0	119.6	-0.8	0.82
UK High Inc Eq Acc	5	79.67	79.67	86.28	-0.71	7.34
UK High Inc Eq Inc	5	69.04	69.04	74.76	-0.62	7.34
Hong Kong Acc	5	50.52	50.52	53.9	-0.23	3.29
Hong Kong Inc	5	47.27	47.27	50.43	-0.2	3.29
Swiss Equities Acc	5	44.32	44.32	47.44	-0.01	0.32
Swiss Equities Inc	5	43.94	43.94	47.03	-0.01	0.32
W'wide Bond Acc	5	55.77	55.77	58.82	+0.2	7.42

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Amicable Ut Tst Mgrs Ltd (1200)H						
150 St Vincent St., Glasgow G2 5NQ 041 204 2200						
Equity Income	6	40.59	41.58	44.28	-0.20	7.33
Equity Tst (10-1)	6	44.91	45.91	48.69	[illegible]	[illegible]
Equity Strategy	6	53.93	55.20	58.79	[illegible]	[illegible]
European Opps	6	69.56	70.52	75.20	[illegible]	[illegible]
UK Smaller Co's	6	44.23	44.22	49.22	[illegible]	[illegible]
Maximum Income	2½	100.92	100.92	105.47	[illegible]	[illegible]
Scottish Equitable Fd Mgrs Ltd (1000)H						
28 St Andrews Sq, Edinburgh 031-556 9101						
Intl Income	3¼	199.6	199.6	208.9	....	[illegible]
Intl Accum	3¼	317.8	317.8	332.8	....	[illegible]
UK General Acc	5	44.73	44.79	47.78	-0.27	[illegible]
UK General Inc	5	40.63	40.68	43.39	[illegible]	[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¶ - 0001 to 1100 hours; § - 1101 to 1400 hours; ‡ - 1401 to 1700 hours; ◊ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Touche Remnant Unit Tst Mngt Ltd – Contd.						
TR Income Growth	5¼	88.99	88.99	94.67	-0.38	4.84
TR Income Monthly	5¼	52.43	52.43	55.77	-0.17	6.09
TR Japan Growth	5¼	83.53	83.53xd	90.79	-1.09	0
TR Overseas Growth	5¼	68.93	68.93xd	73.45	-0.54	0
TR Smaller Cos	5¼	77.30	77.30	82.23	-0.12	3.48
TR Special Ops	5¼	87.40	87.40	92.97	-0.15	4.24
TR High Eq Plan Acc	5¼	36.11	36.11	38.41	-0.27	2.99
TR High Eq Plan Inc	5¼	33.87	33.87	36.03	-0.34	2.99
TR Whole Sa Ssl Acc	5¼	39.98	39.98	42.73	-0.15	0
TR Whole Sa Ssl Inc	5¼	39.94	39.94	42.68	-0.15	0
TR Pension Portfolio						
TR American Grth ♣	6	29.63	30.03	31.83	-0.17	0
TR Eur Sp Sits ♣	6	36.24	36.60	38.80	-0.18	0
TR General Growth ♣	6	25.82	26.10	27.66	-0.16	0
TR Global Tech ♣	6	30.54	30.85	32.70	-0.24	0
TR Income Growth ♣	6	25.92	26.19	27.76	-0.30	0
TR Japan Growth ♣	6	26.81	27.04	28.66	-0.44	0
TR High Equity ♣	6	27.67	27.96	29.64	-0.18	0
TR Overseas Growth ♣	6	29.60	29.96	31.76	-0.29	0
TR Smaller Cos ♣	6	18.27	18.46	19.57	-0.02	0
TR Special Opt ♣	6	18.03	18.22	19.31	+0.02	0
TR Stlg Liquidity ♣	6	26.33	26.79	27.91	+0.07	0
TR Whole Sa Sits ♣	6	32.55	33.04	35.02	-0.08	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	252.4	257.8	271.3	-1.5	3.18
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	170.2	172.8	183.9	-1.00	3.31
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklersbury, London EC4N 0800 373574						
Austral Value	5¼	40.97	40.97	43.44	(z)	-
British Cap	5	88.69	88.69	94.02	-0.59	4.04
Accum Units	5	93.72	93.72	99.35	-0.62	4.04
Capital Defender	5	38.18	38.18	40.48	-0.05	12.75
Accum Units	5	43.60	43.60	46.23	-0.06	12.75
1992 Corporate Acc	5¼	78.54	78.54	83.26	-0.09	11.04
Income	5	78.30	78.30	83.01	-0.35	8.05
Accum Units	5	90.14	90.14	95.55	-0.41	8.05
Smaller Co's	5	71.45	71.45	75.74	-0.02	3.54
Accum Units	5	74.58	74.58	79.07	-0.01	3.54
Tiger Accum H	5¼	76.85	76.85	81.47	+0.36	1.82
UK Unit Trust Managers Ltd (0905)F						
Worthing Road, Horsham, RH12 1SL 0403 40033						
British Growth	5¼	65.52	65.13	69.28	-0.43	2.15
Technical Analysis	5¼	63.23	64.00	68.08	-0.73	1.30
UTAM Ltd (1300)F						
1 White Hart Yard, London Bridge, SE1 071-407 5966						
Advisors: Henderson Crosthwaite Ltd						
Friars Hse Cap	5½	211.9	211.9	231.7	+0.3	4.2.70

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd – Contd.				
High Inc. Ser. 4	473.6	498.6	-1.9	
Money Ser. 4	250.0	263.2	—	
Intl Ser. 4	115.5	121.6	-0.2	
Custodian Ser. 4	105.1	110.7	-0.1	
Pension Funds				
Property	648.0	682.2	—	
Equity	1164.2	1225.5	-9.1	
Selective	383.2	403.4	-1.9	
Managed	860.5	905.8	-4.9	
Security	494.1	520.2	—	
Fixed Int.	259.8	273.5	+0.6	
Indexed	159.4	167.8	+0.3	
American	279.3	294.0	-1.9	
Japan	323.3	340.4	-4.2	
European	188.4	198.4	-0.9	
High Income	131.4	138.4	-0.6	
Ethical	121.2	127.6	-0.8	
International	214.6	225.9	+0.4	
Acuma Life Assurance Ltd				
The Glanty, Egham, Surrey TW2 9AT 0784 475...				
Managed	175.0	184.2	-0.4	
World Growth	148.3	156.1	-0.5	
UK Equity	202.8	213.4	-1.1	
UK Small Companies	173.3	182.4	-0.3	
European	154.2	162.3	-0.3	
Far Eastern	311.2	327.5	-1.6	
Nth American	116.6	122.7	-0.3	
Fixed Interest	126.5	133.1	+0.2	
Index Linked Stks	143.4	150.9	+0.4	
Money	128.3	135.0	—	
Pen Managed	223.3	235.1	-0.6	
Pen World Growth	163.4	172.0	-0.5	
Pen UK Equity	289.7	304.3	-1.5	
Pen UK Small Cos	219.8	231.3	—	
Pen European	152.4	160.4	-0.4	
Pen Far Eastern	463.9	488.3	-1.4	
Pen Nth American	118.2	124.4	-0.4	
Pen Fixed Interest	153.4	161.4	+0.1	
Pen Index Lnkd Stks	153.5	161.5	+0.4	
Pen Money	148.4	156.1	—	
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD 0800 010...				
Life Funds (Accumulator Units)				
Squirrel	13.79	14.52	+0.02	
Bear	13.80	14.53	-0.06	
Owl	16.66	17.54	-0.09	
Bull	15.14	15.94	-0.04	
Stag	15.46	16.28	-0.03	
Gilt-Edged	12.03		+0.01	
Deposit	12.37		+0.01	
North American	10.48	11.04		

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Norwich Union Life Insurance Soc.—Contd.

Pensionvestor* & Unit-Linked Plan*

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed Fund	404.9	426.2	+1.3	—
Ordinary Share Fund	597.3	628.7	+2.6	—
International Fund	171.7	180.7	+0.3	—
Property Fund	262.5	276.3	+0.3	—
Fixed Interest Fund	294.4	309.9	+0.2	—
Index-Linked Sec Fund	171.7	180.7	+1.1	—
Deposit Fund	225.8	237.7	+0.4	—
Norwich Units May 15	938.37			—

*Prices as at June 5

Jersey Investment Plan

	Bid Price	Offer Price	+ or -	Yield Gross
With Profits Fund	98.90	104.10	+0.11	—
Intl Equity Fund	95.83	100.87	-0.68	—
Intl Bond Fund	97.78	102.93	-0.08	—

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Dist. (Gross)	170.5	179.5	+0.1	—
Prop. Acc. (Gross)	291.6	307.0	+0.1	—
Equity (Gross)	812.7	855.4	-6.5	—
Managed (Gross)	567.5	597.4	-3.3	—
Prop. Acc. (Net)	135.4	142.6	—	—
Equity (Net)	187.3	197.2	-1.4	—
Managed (Net)	173.0	182.2	-0.8	—
Internat'nal (net)	167.6	176.4	-1.0	—
Gilt & Fxd Interest	104.3	109.8	+0.1	—
Money Fund	116.1	122.2	+0.1	—

Pearl Assurance (Unit Linked Pens) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Ret. Man (Series 1)	570.6	600.7	-3.2	—
Ret Man (Series 2)	193.5	203.7	-1.1	—
Ret Man (Series 3)	129.0	129.0	-0.7	—
Ret Cash	155.3	163.5	+0.2	—
Ret Cash (Series 3)	128.9	128.9	+0.2	—

Pegasus Assurance Ltd

Broad Quay, Bristol BS1 4DJ 0272 230271

Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aggressive	106.0	111.7	—	—
Managed Balanced	98.8	104.0	—	—
Managed Cautious	94.1	99.1	—	—

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aggressive	107.1	112.7	—	—
Managed Balance	100.1	105.4	—	—
Managed Cautious	94.9	99.90	—	—

Pioneer Mutual Insurance Co Ltd

16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	322.2	339.2	—	—
Exe Pens Inc & Cap Fds	429.6	452.3	—	—
Money Fund	130.5	137.4	—	—
Pens Mngd Fd (Init)	113.2	119.2	—	—
Pens Mngd Fd (Acc)	145.3	153.0	—	—
Pens FT30 Fd (Init)	147.6	155.4	—	—
Pens FT30 Fd (Acc)	189.4	199.4	—	—
Pens 0'seas MgFd(Init)	78.3	82.5	—	—
Pens 0'seas MgFd(Acc)	100.5	105.8	—	—
Pens Fxd Int Fd (Init)	101.8	107.2	—	—
Pens Fxd Int Fd (Acc)	130.7	137.6	—	—
Pens Deposit Fd (Init)	112.2	118.2	—	—
Pens Deposit Fd (Acc)	144.0	151.6	—	—

Premium Life Assurance Co Ltd

37-39 Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	112.0	118.0	-2.0	—
Building Soc. Fd	185.0	195.0	—	—
Balanced	275.0	290.0	-1.0	—
European	204.0	215.0	-2.0	—
GT Managed	192.0	203.0	-1.0	—
Gartmore Mngd	133.0	140.0	—	—
German	172.0	182.0	-1.0	—
Gilt	153.0	162.0	-1.0	—
Global	38.0	40.0	—	—
International Equity	201.0	212.0	-2.0	—
Japan	227.0	239.0	-2.0	—
Leisure	48.0	51.0	—	—
Managed	54.0	57.0	—	—
Property	306.0	323.0	—	—
R. W. Imperial Gold	147.0	155.0	—	—
UK Equity	298.0	314.0	-1.0	—

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American	155.0	164.0	-1.0	—
Building Soc. Fd	195.0	205.0	—	—
Balanced	221.0	233.0	-1.0	—
European	217.0	229.0	-2.0	—
German	155.0	164.0	-1.0	—
Gilt	149.0	157.0	-1.0	—
International Equity	146.0	154.0	—	—
Japan	124.0	131.0	-2.0	—
Managed	60.0	64.0	—	—
Property	236.0	249.0	—	—
UK Equity	286.0	302.0	—	—

Professional Life Assurance Co Ltd

[illegible]

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

OFFSHORE INSURANCES

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Stanchope Fund Mngrs Ltd				
Intl Mkt Fd	$20.91	10.97	----	-
Strongbold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£14.15	15.02	----	-
Pacific Basin Fd	$102.50	108.86	----	-
Western European	$17.04	18.45	----	-
The Thai-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV June 8		24.84	----	-
Tyndall International (Guernsey) Ltd				
Capital Defender	51.29	1.36	-0.01	-
Int Yield Bond	63.8	67.1	+0.1	-
Internat. Spec. Sits	47.4	50.0	-0.1	-
Marunouchi Fd	88.4	92.9	-0.3	-
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$710.50	----	-
Fixed Income Shares		$827.10	----	-
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$13.70	14.38	----	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth		$12.22	-0.14	-
Yamaichi ISS Fund		$8.70	-0.11	-
Yamaichi CB Plus Fund		$9.20	-0.10	-
Thai Inv Fund		$13.88	----	-

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Irish Fund Managers—Contd.						
Do Sterling Equivalent			£21.3878		----	-
Ecu			Ecu12.9648		----	-
Irish Gilt Fd			I£189.9737		----	-
Intl Managed Dollar			$23.9274		----	-
Intl Managed Bond			I£21.6117		----	-
Barclays Intl Funds						
Currency Funds						
Sterling			£18.81		+0.02	14.0
US Dollar			$28.97		+0.02	7.1
Deutschemark			DM49.68		+0.03	6.6
Yen			Y3,707		+0001	5.5
Managed Multicurrency			£12.92	12.97	+0.03	-
Managed Multicurrency			$23.65	24.49	+0.02	-
Bond Funds						
Sterling Bond			£0.980	0.995	+0.002	12.1
US Government Income			$95.17	98.57	+0.06	8.5
Brown Shipley Fund Mgmt (CI) Ltd						
Sterling Bd(Acc)(Daily)			£8.74	9.04	+0.01	11.06
Sterling Cap (Daily)			£31.81	31.82	+0.04	-
Intl. Bond (Daily)			$14.29	15.24	-0.07	8.46
Int Currency (Wed)			£1.45	1.53	----	7.84
Cater Allen Investment Management (CI)						
CA Gilt Income			66.66	6.96	----	17.24
CA Gilt & Futures			929.00	966.00	----	8.28
CA Equity Gwth(Z-1)			£4.63	5.03	----	3.98
Citibank (CI) Ltd "Citifunds"						

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
McDonnell & Co—Contd.				
McD Sabre Gtd Ltd Fd	$9.17	9.63	+0.02	-
McD Forex Fd	$10.24	10.75	----	-
McD US Govt Secs Fd	$10.29	10.44	-0.01	-
Magnum Fund Mngmt (Bermuda) Ltd				
Magnum Futures Fund				
Sterling Class		£4.74	----	-
US Dollar Class		$9.13	----	-
DM Class		DM20.25	----	-
Malacca Fund (Cayman) Limited				
NAV June 6		$17.00	----	-

	Bid Price	Offer Price	+ or -	Yield Gross
Union-Investment-Gesellschaft GmbH				
Unifonds	DM37.12	39.00	-0.40	-
Unirak	DM77.16	81.05	-0.45	-
Unirenta	DM35.10	36.20	----	-
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicam)				
Dollar Fd BOPUPs	$10.26	10.27	----	-
Dollar Fd OPUPs	$10.57	10.65	----	-
Sterling Fd BOPUPs	£10.21	10.22	----	-
Sterling Fd OPUPs	£11.59	11.67	----	-
DM Fd BOPUPs	DM10.07	10.08	----	-

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

DM unmoved by aid report

THE D-MARK showed no strong reaction to a West German press report that the Soviet Union may be demanding $20bn of economic aid in return for allowing a united Germany to become part of Nato. The speculative report preceded a meeting between Mr Hans-Dietrich Genscher, West German Foreign Minister, and Mr Eduard Shevardnadze, his Soviet counterpart.

At the London close the D-Mark was firm against the dollar, sterling and the Japanese yen, supported by higher West German bond yields, on suggestions that Bonn will be forced into increased borrowing as a consequence of German unity. On the other hand, the D-Mark lost ground within the European Monetary System to finish only slightly above the weakest placed French franc.

The Italian lira hovered around its maximum allowed value in the EMS, but the Bank of Italy did not intervene at the Milan fixing, as the French franc was fixed at L218.26, above its floor of L218.13. The D-Mark eased to L734.51 from L735.10 at the fixing.

In Paris the D-Mark fell to DM3.3655 from DM3.3696 at the fixing, and finished at that level in London. The franc was supported by recent remarks by Mr Pierre Beregovoy, French Finance Minister, about his expectations for a reduction in the gap between French and West German inflation rates. Short term interest rates tended to ease in Paris, reflecting the better performance of the franc.

The Swiss franc rose to DM1.1745 from DM1.1720 against the D-Mark, recovering from a recent bout of weakness. The improvement followed comments from Zurich by the Swiss National Bank that monetary policy will remain restrictive.

The dollar traded quietly, lacking fresh factors, as the market waited for Friday's data on US trade in April and May consumer prices. At the London close the dollar had fallen to DM1.6915 from DM1.6970; to SFr1.4400 from SFr1.4480; and to FFr5.6925 from FFr5.7150, but rose to Y154.45 from Y153.45. The dollar's index was unchanged at 67.9.

Sterling finished little changed, despite disappointment at buoyant UK retail sales in May. The pound fell below DM2.8500 on news that retail sales rose 1.2 per cent, compared with forecasts in the region of 0.5 per cent, but the currency finished above the day's lows.

A rise of 0.5 per cent in UK output producer prices was in line with expectations, but analysts said that a fall of 1.1 per cent in input prices was worrying, because it suggests British industry will be able to pass on higher wage costs without squeezing margins.

Sterling closed at DM2.8525, against DM2.8575. The pound also fell to FFr9.5975 from FFr9.6275; and to SFr2.4275 from SFr2.4400, but rose to Y260.50 from Y258.50 and gained 15 points to $1.6860. Its index was unchanged at 89.5.

EURO-CURRENCY INTEREST RATES

Jun 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾-14⅝	14¾-14⅝	14⅞-14¾	15⅛-14⅞	15⅛-14⅞	14⅞-14⅞
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼	8½-8⅜
Can. Dollar	13⅝-13⅜	13⅝-13⅜	13⅝-13⅜	13⅝-13⅜	13⅜-13⅛	13⅛-12⅞
D. Guilder	8⅛-7⅞	8⅛-7⅞	8⅛-8⅛	8⅜-8¼	8⅜-8⅜	8⅞-8¾
Sw. Franc	9⅛-8⅞	9⅛-8⅞	9-8⅞	9-8⅞	8⅞-8⅞	8⅞-8¾
Deutschmark	7⅞-7¾	8-7⅞	8⅛-7⅞	8⅛-8⅛	8⅜-8⅜	8⅞-8¾
Fr. Franc	9⅝-9½	9⅝-9½	9⅝-9⅝	10-9⅞	10⅛-10⅛	10⅜-10⅛
Italian Lira	13-11	11-10	11½-11	11⅝-11⅛	11⅝-11⅛	12-11⅞
Belgian Franc	10⅜-10⅛	10⅛-10	9⅞-9¾	9⅞-9¾	9⅞-9⅞	9⅞-9⅞
Yen	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	7⅞-7⅞
D.Krone	10⅜-10⅛	10⅜-10⅛	10⅝-10½	10⅝-10½	10⅞-10⅞	10⅞-10⅞
Asian $Sing	8⅛-8⅛	8¼-8⅛	8⅛-8⅛	8⅛-8⅛	8⅜-8¼	8⅛-8⅛

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

June 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6775 - 1.6880	1.6855 - 1.6865	0.91-0.89cpm	6.41	2.72-2.69pm	6.42
Canada	1.9615 - 1.9740	1.9720 - 1.9730	0.21-0.13cpm	1.03	0.77-0.64pm	1.43
Netherlands	3.20¼ - 3.21½	3.20¼ - 3.21¼	1⅛-1⅛cpm	5.85	5⅛-5pm	6.31
Belgium	58.50 - 58.80	58.60 - 58.70	39-35cpm	7.57	75-71pm	4.98
Denmark	10.84¼ - 10.89	10.85¼ - 10.86¼	3⅞-3¼orepm	3.80	11⅛-10⅜pm	4.03
Ireland	1.0620 - 1.0680	1.0640 - 1.0650	0.40-0.36cpm	4.28	1.20-1.10pm	4.32

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
June	2001.0	2007.5	-7.5	2011.0	1992.0	5,046
July	1994.0	2010.0	-4.0	2010.0	1954.0	1,050
August	1994.0	1994.0	-31.0	1994.0	1994.0	31
September	-	-	-	-	-	10

Estimated volume 5,790 Total Open Interest 6,137

	Open	Close	Change	High	Low	Yield	Open Int.
June	89.93	89.94	-0.02	89.96	89.93	10.07	10,198
September	89.80	89.83	-0.04	89.87	89.80	10.17	10,654
December	89.82	89.82	-0.05	89.83	89.81	10.19	2,883
March	89.84	89.84	-0.03	89.84	89.84	10.16	263

Estimated volume 8,245 Total Open Interest 24,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.N.East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates remain soft

INTEREST RATES maintained a softer tone on the London money market yesterday. Three-month sterling interbank eased to 15⅛-14⅞ per cent from 15⅛-15, and 12-month money fell to 14⅞-14¾ per cent from 14⅞-14⅞. On Liffe short sterling futures opened firmer at 85.37 for September delivery, but the contract fell back to close at 85.32, little changed from Friday's finish of 85.33.

Credit was in comfortable supply on the money market.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a day-to-day shortage of £250m, but revised this to £300m in the afternoon. The authorities did not operate during the morning, but in the afternoon bought £251m bank bills outright in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £415m, with the unwinding of repurchase agreements on bills absorbing £744m, and bank balances below target £70m. These outweighed Exchequer transactions adding £385m to liquidity and a fall in the note circulation of £595m.

In Paris call money fell to 9⅝ from 9⅞ per cent, declining to the level of the Bank of France's money market intervention rate. This partly reflected the banks' strong reserve positions ahead of their reporting date on June 15, but also indicated a change of sentiment in the market as pressure on the French franc has eased in the European Monetary System.

In Frankfurt call money eased to 7.75 from 7.80 per cent in quiet trading. Banks expect tax payments to cause a drain on liquidity later this month and are at present building up reserves at the Bundesbank. On Thursday banks reserves rose to DM65bn from DM61.8bn, to average DM65.9bn for the first seven days of June. The Bundesbank is expected to set an average requirement for the whole month of about DM59bn.

Banks can bid for funds today at a 28-day securities repurchase agreement tender, set by the Bundesbank. Dealers expect the central bank to replace roughly DM14.7bn draining from the market tomorrow as an earlier facility expires.

In New York the Federal Reserve added temporary liquidity to the banking system, via three-day system repurchase agreements, when Federal funds were trading at 8¼ per cent. This was in line with market expectations.

FINANCIAL FUTURES AND OPTIONS

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

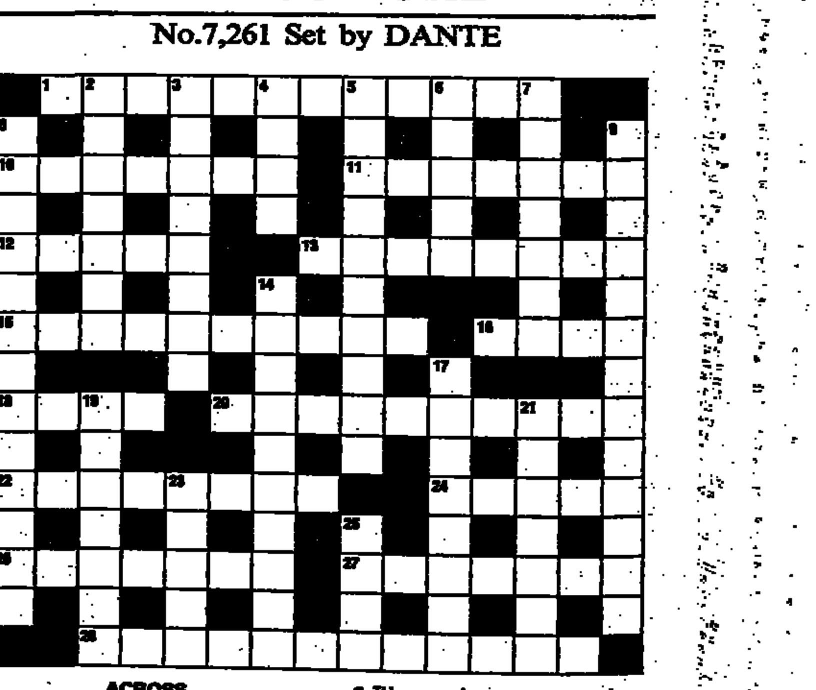
CURRENCY MOVEMENTS

OTHER CURRENCIES

JOTTER PAD

CROSSWORD

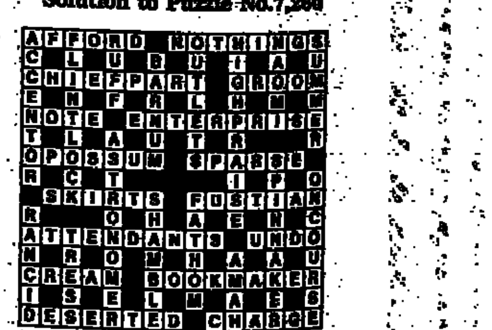
No.7,261 Set by DANTE



ACROSS
1 Foolhardy rascal can show concern (5-4)
10 Get into bad shape (7)
11 Angela's cooked an Italian dish (7)
12 Kipling's wolf emerging from a lake (5)
13 Match money playing dice (9)
15 Document required when handing over a vehicle (10)
16 He put in a word of thanks for the goddess (4)
18 Insensitive one, for example, displays no hesitation (4)
20 They don't have to be smart to fool the birds (10)
22 Matchbox model (4-4)
24 Said by the Frenchman to be the same (5)
26 Put a chit in for wine (7)
27 Abbot money, though some is essential for growth (7)
28 US rep dealing in shares? (5,7)

DOWN
2 Nearest resort in the orient (7)
3 Ladies to move far from the others (8)
4 Child power makes itself heard (4)
5 Cowardly character shown up by the referee? (8,4)
6 It's a crime, so ran when disturbed (5)
7 Language you must understand (7)
8 Advice note can change prior announcement (7,6)
9 Aren't they particular what they sell? (7,6)
14 Striking reminder of a Lowry figure (10)
17 A sharp fall in sweet production? (4,4)
19 Strikes that don't come off? (7)
21 Hackneyed tour now reorganised (7)
23 Is unable to write love song (5)
25 Bespectacled greeting in American state (4)

Solution to Puzzle No.7,260



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	June 11	June 8	June 7	June 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2892.57	2862.38	2897.33	2911.65	2935.19 (4/6)	2543.24 (30/1)	2935.19 (4/6/90)	41.22 (2/7/32)
Home Bonds	90.72	90.85	90.92	90.99	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1202.01	1201.28	1208.58	1212.77	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.22	212.46	213.91	214.54	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2901.98 (2908.50) Low 2852.97 (2850.73)

STANDARD AND POOR'S	June 11	June 8	June 7	June 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	361.63	358.71	363.15	364.96	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	421.32	417.53	422.83	424.61	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	30.61	30.48	30.96	31.16	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	197.42	196.05	198.21	199.15	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	362.32	361.17	363.57	364.19	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	462.79	460.87	464.09	464.96	465.61 (4/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 8	May 25	May 18	year ago (approx.)
Dow Industrial Div. Yield	3.71	4.01	3.99	3.52

	June 6	May 30	May 23	year ago (approx.)
S & P Industrial div. yield	2.91	2.93	2.94	3.18
S & P Indl. P/E ratio	17.01	16.89	16.08	12.79

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Boeing	2,324,700	58½	+ 5½
Oxy Pete	1,589,900	27	+ ¼
Philip Morris	1,212,800	44⅛	+ ¼
Citicorp	1,146,800	23½	- ⅛
IBM	1,081,700	119⅞	+ 1⅛
Eastman Kodak	1,028,600	42⅛	- ¼
Coca Cola	985,400	44½	+ ½
Phelps Dodge	960,100	59¼	- ⅛
Southern Co.	936,100	24⅞	—
Philips Inds.	889,700	17⅛	+ ⅛

TRADING ACTIVITY

† Volume Millions	June 11	June 8	June 7
New York	119.950	142.600	160.420
Amex	8.120	9.314	10.469
NASDAQ	(u)	137.901	151.044
Issues Traded	1,985	1,974	2,006
Rises	931	457	639
Falls	561	1,004	842
Unchanged	493	513	526
New Highs	21	21	37
New Lows	33	14	15

CANADA

TORONTO	June 11	June 8	June 7	June 6	1990 HIGH	1990 LOW
Metals & Minerals	3201.90	3197.80	3236.00	3240.20	3453.05 (4/1)	2850.80 (23/4)
Composite	3578.70	3571.40	3604.64	3611.93	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1855.23	1849.34	1873.67	1877.99	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 11	June 8	June 7	June 6	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	(c)	1504.1	1509.2	1526.9	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	(c)	728.5	736.2	748.8	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	576.44	581.16	582.46	583.27	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6313.26	6375.70	6370.64	6342.54	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	375.33	376.55	376.66	377.44	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	572.5	576.3	575.0	578.7	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	539.59	548.71	548.59	551.61	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2002.38	2021.41	2050.45	2045.43	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	768.30	775.49	783.53	787.46	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2215.1	2238.9	2263.4	2275.7	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1809.66	1822.23	1837.43	1849.02	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3154.99	3174.33	3145.30	3172.49	3174.33 (8/6)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1706.89	1706.05	1709.43	1702.28	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	750.93	751.99	751.19	747.26	751.99 (8/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32540.18	32993.29	33192.50	32953.50	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2393.01	2411.78	2428.44	2423.07	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4056.95	4069.07	4057.12	4039.37	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	585.10	588.09	585.74	(c)	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tr.Rtn.Gen.(End 1983)	264.7	266.4	267.2	266.1	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	197.3	198.6	199.2	198.4	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE Ind) (2/1/83)	837.16	845.09	848.31	852.65	859.05 (5/6)	781.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	802.74	772.15	764.53	740.31	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	437.99	438.46	436.94	432.94	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1502.04	1459.0	1492.0	1569.0	2230.0 (16/1)	1461.0 (8/6)
JSE Industrial (28/9/78)	2986.86	2991.0	3004.0	3009.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	786.35	803.63	804.09	(c)	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	285.39	284.59	285.45	286.46	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1270.80	1275.80	1275.10	1279.20	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	810.1	816.6	815.8	815.0	825.1 (5/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	5933.74	6454.12	6682.12	7075.50	12495.34 (10/2)	5933.74 (11/6)
THAILAND						
Bangkok SET (30/4/75)	991.27	1033.52	1022.98	1011.09	1033.52 (8/6)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	519.7	525.6	526.1	571.0 (4/1)	468.3 (2/4)

**Saturday June 9: Taiwan Weighted Price: 6098.16. Korea Comp Ex. 799.12

‡ Subject to official recalculation.

Aprò Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday June 11 1990

	Stocks Traded	Closing Prices	Change on day
MHI	9.9m	1,040	-20
Nippon Lt Mtl	8.5m	1,010	+36
Nippon Mining	7.8m	1,050	-30
Konica	6.7m	1,720	-20
Nippon Steel	6.5m	597	-11
Suzuki Motor	6.4m	982	+37
Mitsui Eng&Shp	4.9m	978	-11
Tokyu Dept Str	4.7m	1,900	-30
NKK	3.9m	680	-20
Nippon Oil	3.9m	1,380	-20

4pm prices June.11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.4	12	959	20¾	d20	20	– ½
9¼	8	ACM n	1.01	11.		z73	9	8⅞	9	+ ⅛
11⅝	9½	ACMIn	1.26	13.		x644	10⅛	10	10	– ⅛
9⅞	7¼	ACM M	n1.01	13.		x277	7⅝	7½	7⅝	
12⅛	10	ACMMM				z100	11	10⅞	10⅞	
11½	9⅞	ACM Se	1.26	13.		1168	10	9⅞	9⅞	
8⅞	8⅛	ACMSp	1.01	12.		350	8⅜	8¼	8⅜	
24⅝	14⅜	AL Lab	.16	.7	21	126	23⅜	22¾	23⅜	+ ¼
5⅞	2⅛	AM Intl				435	2⅜	2¼	2⅜	
23⅛	10⅞	AM In pf	2	16.		105	12⅝	12⅜	12⅝	
107¼	52½	AMR			13	6140	68⅛	67¼	68	+1
28½	25	ANR pf	2.67	10.		3	25¾	25¾	25¾	+ ⅛
4⅞	3	ARX				32	3½	3¼	3¼	– ⅛
72¾	40⅞	ASA	3a	6.7		698	45	44½	44⅞	+ ⅝
39¼	27⅝	AbtLab	s.84	2.2	19	5541	38¼	37¼	37¾	+ ⅜
16⅜	11¼	Abitibi	g .50			508	13¼	13⅛	13¼	
13	8½	AcmeC	.40	4.4	11	41	9	8⅞	9	
9⅜	7⅜	AcmeE	.32	3.6	11	4	9	9	9	
41⅞	28⅜	Acuson			23	442	38¼	38⅛	38⅛	+ ¼
16½	13¾	AdaEx	2.08e	13.		98	16⅜	16¼	16¼	– ⅛
15⅝	9½	Adobe				64	12⅜	12¼	12¼	
20¼	17¾	Adob pf	1.84	9.4		365	19⅞	19⅜	19½	+ ⅛
21⅝	20⅛	Adob pf	2.40	12.		158	20¾	20½	20½	– ¼
11⅞	8⅞	AMD			21	3359	9⅞	9⅝	9⅝	+ ⅛
34⅝	28¼	AMD pf	3	9.6		9	31⅜	31	31⅛	– ⅛
10⅝	4⅛	Advest	.16	3.5	58	22	4⅝	4⅝	4⅝	
62½	46¼	AetnLf	2.76	5.3	9	1200	52¾	51⅞	52⅛	+ ¼
14	9¼	AflPb	.24	2.3		334	10½	10¼	10⅜	– ⅛
25	16⅛	Ahmans	.88	4.0	10	1329	22	21¾	22	+ ¼
3⅝	1⅞	Aileen				6	2⅛	2⅛	2⅛	
58	40	AirPrd	1.32	2.4	14	1906	55¾	55¼	55⅜	– ⅜
24¼	13⅛	AirFrt	s		15	261	22⅜	22⅛	22¼	
25½	16½	Airgas			29	100	19	18⅝	18⅝	– ⅛
20⅝	16½	Airlease	2.40	14.	9	29	17⅜	17¼	17⅜	+ ⅛
10⅛	9¼	AlaP	dpf.87	9.2		12	9½	9⅜	9½	+ ⅛
99⅝	92	AlaP pf	9	9.6		z80	93½	93½	93½	
91	83¼	AlaP pf	8.28	9.7		z400	86	85½	85½	–1½

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	7⅞	WyleLb	.28	2.1	14	927	13⅛	12⅞	13⅛	- ⅛
27⅜	18	Wynns	.60	2.9	13	32	20⅞	20½	20⅞	+ ⅛
		- X-Y-Z -								
68½	45⅞	Xerox	3	6.5	8	2521	47	46½	46½	- ½
48	44⅞	Xerox pf	4.13	8.9		3	46½	46	46½	+ ½
34	21¼	XTRA	.48a	2.0		134	24⅜	24⅛	24⅛	- ½
4⅛	2	Zapata				617	2⅛	2	2	- ⅛
20¼	7⅞	ZenithE				287	9	8⅞	9	
21½	13½	ZenNtl	.86	5.6	9	6	15⅝	15⅝	15⅝	
9⅝	5⅝	Zeslx	.90	15.		144	6⅛	5⅞	5⅞	- ⅛
18½	12⅞	Zero s	.40	2.7	14	132	14⅞	14⅝	14⅝	
48¾	34	Zurnie	.76	1.7	20	x204	46½	45⅝	46	- ¼
12⅞	10⅝	Zweig	1.21e	10.		300	11⅞	11⅝	11⅝	- ⅛
10	9	Zweig(T)	.96	11.		1757	9⅛	9⅛	9⅛	- ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative *issue with dividends in arrears. n-new issue in the past 52* weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June.11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PitDsm	.60	15	x8	30¾	30¾	30¾	- ⅛
Pitway n	.60a	16	x75	36⅛	36	36⅛	+1
Pitwy A	.70	12	x153	27	26¾	26⅞	+ ⅛
PlyGem	.12	16	218	8⅜	8⅛	8⅜	+ ⅛
Presd A	.10		12	6⅞	6⅞	6⅞	- ⅛
ProCm s			360	3⅛	3⅛	3⅛	

NASDAQ NATIONAL MARKET

3pm prices June.11

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Xicor			310	3⅛	3⅛	3⅛	+ ⅛
YonEnS	1.52b	11	82	19¼	19	19¼	+ ¼
YelowF	.76	53	469	29⅞	29¼	29¼	+ ⅛
YorkRs		23	496	15⅞	15¼	15¼	- ⅝
ZionUt	1.44	9	9	28¼	28¼	28¼	

AMERICA

Bargain-hunting brings series of declines to end

Wall Street

A DULL day on Wall Street saw US equities moving higher in light trading as traders looked for bargains after last week's four day sell-off, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed up 30.19 points at 2,892.57. The Dow has lost ground in the previous four sessions thanks to persistent profit-taking and on Friday lost 34.95 points to close at 2,862.38.

Volume on the New York Stock Exchange was thin yesterday with only 120.5m shares changing hands. On the big board, advancing issues led those declining by 932 to 560.The gain in equities was reflected in other stock market indices. The important Standard & Poor's 500 closed up 2.91 points at 361.62, the New York Stock Exchange Composite was 1.37 points higher at 197.42 and the American Exchange Composite added 1.15 points to 362.32.

But activity was too light to indicate any major stock market trend. Traders were cautious yesterday ahead of a number of economic reports which are slated for the end of the week, including May's retail sales figures, which will be out tomorrowand the consumer and producer price indices on Thursday and Friday.

Furthermore, there is some concern about the impact of Friday's "triple witching hour" when June stock-index futures and options expire. Yesterday's stock market rally was stoked by futures-related programme buying which helped boost blue chip issues.The gains were paced by a number of stocks which last week were hit by profit-taking.

These included International Business Machines, which added $1 to $119¾, Coca-Cola gained $⅜ to $44⅛, PepsiCola edged $⅛ higher to $73¼ and Merck added $¾ to $80¾.

Among other blue chip issues which paced yesterday's stock market advance, American Telephone & Telegraph rose $⅜ to $42⅝, Philip Morris gained $⅜ to $44¼ and Exxon improved $⅞ to $47⅞. Occidental Petroleum added $⅛ to $26⅞ in heavy, dividend-related trading. Boeing, which was the most active issue of the day, jumped $3⅛ to $58⅛ after Korean Airlines signed a contract worth almost $5bn for 23 jumbo jets.

On the other hand, McDonnell Douglas, another big maker of airplanes, lost $⅝ to $45¼. The company may face second quarter write-offs because of delays in developing an attack plane for the navy.

UAL, the parent of United Airlines which has a major hub in Chicago, dropped $2 to $156⅞. Among other airline issues, USAir advanced $⅛ to $29⅞, Delta Air Lines lost $¼ to $79⅝ and Pan Am was up $⅛ at $2⅛.

A *number of precious metal* companies moved modestly higher yesterday after losing ground Friday. Battle Mountain Gold added $⅛ to $11⅝, Homestake Mining rose $⅜ to $17¼ and Placer Gold improved $⅛ to $14⅝.

On the OTC, Microcom plummeted $8½ to $9⅞ in active trading after the company surprised analysts by projecting a first quarter loss of between 15 cents and 20 cents a share in revenues of about $14m. A year earlier, Microcom had earnings of 29 cents on revenues of $17m.

Canada

TORONTO share prices fell back from an 18-point gain to close little changed in dull trade. The composite index closed up 7.32 points to 3,578.66 with advances and declines about even at 261 and 275 on volume of 14.6m shares.

Canadian Pacific topped the most actives, closing up C$⅛ to C$22⅞. The company said it would not proceed with its plan to spin off its Marathon Realty unit to its common shareholders.

It said "delaying the distribution of Marathon shares any longer could have an adverse impact on the value of the real estate assets."

Optimism trickles away as tide turns for the US

By Jacqueline Moore

THE OPTIMISM that lifted most stock markets at the end of May trickled away last week. Wall Street, which hit its fourth record high in five trading days on Monday, fell for the rest of the week as the profit-takers went into action, leaving the US market 1.1 per cent down in local currency terms.

Japan also fell 1.1 per cent as investors waited nervously for heavy selling by arbitrageurs as the June index futures contract expired. In the event the arbitrage activity was lighter than expected, but the nervousness, combined with a falling bond market, pulled share prices lower. The American and Japanese falls helped drag the overall World Index down 0.9 per cent on the week.

Europe fared a little better, with the index of continental markets losing only 0.6 per cent. Winners were scarce, however, with only Austria and Sweden rising by about 2 per cent or more, Belgium gaining 0.8 per cent, and Italy and the UK ending little changed. All the other bourses made modest declines.

Europe's – and the world's – worst performer was France, which dropped 2.8 per cent, reducing its gain this year to a mere 0.02 per cent in local currency terms. Fiscal policy was to blame, with fears of a rise in the rate of tax on corporate capital gains depressing the market, although selling volume was light.

Most analysts believe that the fears of a tax increase have been overdone, interpreting comments by President François Mitterrand about social inequality and the talk of a rise in the capital gains tax from 19 per cent to as much as 35 per cent, as political posturing. UBS Phillips & Drew points to the swift reaction last week by Prime Minister Michel Rocard to reassure financial markets, and says that "it seems likely that market fears over capital gains taxation will prove unfounded."

Kleinwort Benson argues that a rise in the rate from 19 per cent to, for example, 25 per cent would hardly touch corporate earnings, particularly if coupled with a corporation tax cut, and have an insignificant effect on stock market activity.

Europe's second worst performer last week was Norway, while its Scandinavian neighbour, Sweden, made the second biggest gain, after Austria.

Norway fell on lower oil prices and on speculation about a decline in crude shipping rates, while Sweden was boosted by a number of individual stocks and by hopes of lower interest rates, says Mr Goren Axelsson at Citicorp.

In Stockholm, the market was lifted by Ericsson, the telecommunications group, which saw its free B shares gain 3 per cent on the week, and Electrolux, the electrical goods company, up 8 per cent. Speculation that Electrolux would treble its US revenues this year, together with a belief that its shares were undervalued, were the main reasons for its gains, says Mr Axelsson.

The other big mover of the week was South Africa, where a plunging bullion price pulled gold shares sharply lower. The 2.6 per cent fall in the South Africa FT-Actuaries index compares with a 9.4 per cent decline in the JSE Gold index over the same period.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1990	% change sterling † Start of 1990	% change in US $ † Start of 1990
Austria	+2.32	−1.67	+74.47	+35.14	+28.83	+34.57
Belgium	+0.76	+3.23	−0.63	−3.62	−5.69	−1.69
Denmark	−0.74	+4.96	+17.04	+2.64	+0.19	+4.67
Finland	−0.38	+4.35	−14.41	−0.88	−1.89	+2.48
France	−2.81	−2.73	+12.30	+0.02	−3.08	+1.25
W. Germany	−0.89	−2.96	+27.86	+3.60	−1.14	+3.27
Ireland	−0.25	+8.11	+16.89	+1.23	−1.35	+3.05
Italy	+0.17	+7.21	+18.17	+6.73	+3.82	+8.48
Netherlands	−1.15	+3.17	+1.89	−3.44	−7.48	−3.34
Norway	−1.96	−0.71	+25.93	+17.38	+13.70	+18.78
Spain	−1.26	−0.17	−11.07	−6.45	−6.78	−2.62
Sweden	+1.92	+9.08	+24.67	+11.10	+7.44	+12.23
Switzerland	−0.91	+3.60	+14.04	+1.66	+3.65	+8.26
UK	+0.04	+8.75	+7.77	−2.68	−2.68	+1.66
EUROPE	−0.57	+3.89	+11.49	−0.61	−1.81	+2.58
Australia	−0.28	+2.28	+1.44	−6.96	−12.93	−9.04
Hong Kong	+0.36	+8.60	+42.87	+11.79	+7.33	+12.12
Japan	−1.06	+2.18	−7.68	−18.08	−26.80	−23.21
Malaysia	+0.34	+7.16	+37.59	+2.79	−1.91	+2.47
New Zealand	−1.63	+2.78	−2.17	−8.91	−14.83	−11.03
Singapore	+0.91	+5.62	+31.58	+14.16	+12.32	+17.34
Canada	−0.53	+0.92	−4.60	−8.12	−13.25	−9.38
USA	−1.12	+2.08	+8.88	+1.45	−2.89	+1.45
Mexico	−0.33	+23.06	+174.82	+75.78	+58.67	+65.97
South Africa	−2.58	−3.40	+24.18	+4.93	−10.74	−6.75
WORLD INDEX	−0.94	+2.48	+2.73	−3.88	−12.71	−8.81

† Based on June 8th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

ASIA PACIFIC

Nikkei suffers heavy loss as turnover halves

Tokyo

THE YEN'S decline against the dollar and a rise in interest rates took their toll on the market and share prices suffered a heavy loss in very thin trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average began the week with a sharp drop, losing over 300 points by the morning close. The lack of investor interest was exacerbated by bouts of arbitrage selling and the Nikkei finished down 453.11 at 32,540.18. Volume halved to 350m shares.

The leading index fluctuated between a high of 32,963.97 and a low of 32,487.96 during the day. Declines outpaced gains by 706 to 248 and 171 issues were unchanged. The Topix index of all listed stocks slipped 18.77 to 2,393.01 and, in London, the ISE/Nikkei 50 index fell 5.53 to 1,782.17.

The rise in interest rates and the prospect of a batch of economic indicators later this week persuaded investors to sit it out. The gloomy mood was not helped by the defeat of a ruling party candidate in local by-elections in western Japan for an Upper House seat.

Market activity was mainly professional, said Mr Shin Tokoi at County NatWest Securities. But dealers were having difficulty selling what they had bought on their own account to customers, he added. Since companies pay bonuses in June, some interest from individuals was forthcoming, but institutions were waiting for more promising signs, especially on the interest rate and currency fronts.

Those who were buying sought issues with specific incentives. Nippon Light Metal, the country's largest aluminium producer, advanced on the back of firm aluminium prices. It was second on the most actives list with 8.5m shares and rose Y36 to Y1,010.

Isetan, a leading department store, gained Y430, or almost 10 per cent, to Y4,350 on talk that a leading speculator was buying shares in the issue. The interest in Isetan was fanned by news that members *of the* Tokyu group, which includes a leading department store, have been increasing their stakes in each other to protect themselves from speculators. Tokyu Department Store closed down Y30 at Y1,900 in active trading.

Heavy capital shipbuilders *eased because of the higher* interest rates and weaker yen, which would have a negative impact on their financial position. Mitsubishi Heavy Industries dropped Y20 to Y1,040 and Mitsui Engineering and Shipbuilding lost Y11 to Y976. Among steels, Nippon Steel fell below Y600 for the first time in a month to Y597, down Y11.

Investors kept a low profile in Osaka and the OSE average fell 262.01 to 35,541.63. Turnover shrank to 30m shares from 59m on Friday.

Roundup

FALLS ON Wall Street and Tokyo undermined Pacific Rim markets, which fell in thin trading. Australia was closed for a holiday.

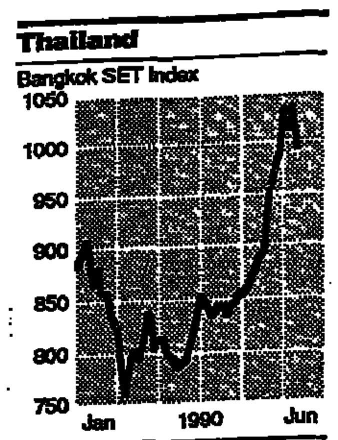
BANGKOK plunged across the board on the news that Defence Minister Chavalit Yongchaiyudh had resigned. The composite SET Index *dived 42.25, or 4.1 per cent, to* 991.27 in heavy turnover.

SEOUL fell on reports that the central bank was considering a liquidity clampdown to curb rising domestic money supply. The composite index closed at 786.35, down 12.77 from Saturday, in very thin volume of 110.7bn won after 98.7bn won in the half day's trading on Saturday.

SINGAPORE disappointed investors who had hoped that Friday's firmer tone would continue. The Straits Times Industrial index fell 11.18 to 1,556.89 and volume shrank to 53m shares or S$125m from S$80m or S$156m. Neptune Orient Lines added 2 cents to S$2.11 on further reports that Japan's Mitsui might increase its stake from the current 1 per cent and also that NOL might set up a second registry for foreign-*held shares.*

Thailand

Bangkok SET Index



TAIWAN declined for the seventh consecutive session. The weighted index fell through the important 6,000 support level to a year's low of 5,933.74, down 164.42. Volume totalled about 955m shares or NT$52.1bn after Saturday's 929m *or* NT$56.23bn.

NEW ZEALAND fell on fears of higher interest rates, while the holiday in Australia cut turnover. The Barclays index lost 16.12 to 1,764.84. Turnover dropped to a quiet 5m shares *or* NZ$11m from Friday's 6m shares or NZ$12m. Fletcher Challenge dragged other stocks lower as it fell 3 cents to NZ$4.17.

HONG KONG closed lower after trading in a narrow range for most of the day. The Hang Seng index lost 19.34 to 3,154.99 and turnover slipped to HK$1.6bn from Friday's 2.2bn.

KUALA LUMPUR eased in featureless trading. The composite index eased 2.99 to 585.10 and turnover fell to 32m shares from 40m.

MANILA rose on speculation that President Corazon Aquino might announce positive economic news at today's Independence Day ceremonies. The, composite index added 30.59 to 802.74.

EUROPE

Week begins with uninspired performance

THE WEEK got off to a limp start on the Continent, depressed by Wall Street's fall on Friday and unable to respond to the New York market's firmer opening yesterday, *writes Our Markets Staff.*

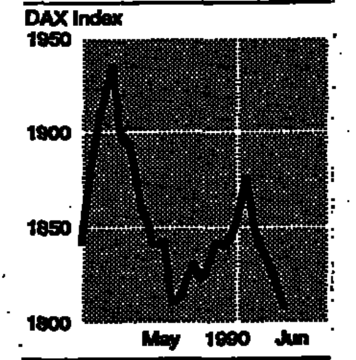
FRANKFURT remained under pressure as the D-Mark sank to second-bottom position in the EMS and bond yields rose above 9 per cent. The DAX index dropped below the important 1,800 support level to a day's low of 1,799.66, before recovering to 1,809.66, down 12.57. The FAZ index lost 7.19 to 768.30, as volume rose to DM6.8bn from DM5bn.

On the technical front, chartists were moving the goalposts for the DAX's trading range downwards, to between 1,780 and 1,820 from a previous 1,800 and 1,900, as they became more pessimistic about the market's short-term outlook.

Tyremaker Continental continued to buck the trend, climbing DM2 to DM309.50 with 629,962 *shares traded. At the* annual meeting due on June 27, a Düsseldorf-based group for the protection of minority shareholders will try to force Continental to abandon its voting right restrictions. This would make it vulnerable to takeover. But dealers noted that similar attempts by the same shareholders' group with other companies have failed. Continental will ask its shareholders to authorise DM200m of new capital which, if used, would dilute any existing hostile stakes, they added.

West Germany

DAX Index



PARIS saw last week's trend continue, with share prices slipping in modest turnover as investors continued to worry about the bond market, interest rates and a possible rise in the rate of corporate capital gains tax. The CAC 40 index finished just above the 2,000 level at 2,002.38, down 19.03, after reaching a day's high of 2,010.22 and a low of 1,988.36.

Suez was unmoved at FFr439.10 on volume of 272,900 shares after saying it might help Mr Carlo de Benedetti, the Italian financier, to dispose of his 15 per cent stake in Société Générale de Belgique.

Warnings about lower earnings hit a number of stocks. Pechiney International, the metals group, lost FFr5.20 to FFr146.80 with 131,400 shares traded, after its chairman said that the weak dollar would harm 1990 profits. Salomon, the ski maker, fell FFr24 to FFr1,405 after it predicted a first-half loss and reported a loss of FFr91m in the year to *March 31.*

Geophysique, the oil services company, fell FFr115 to FFr1,135 after saying that it expected a loss for the first half of 1990. Vallourec, the steel pipe maker, dropped FFr37.70 to FFr326 on worries about the outlook for the oil sector and BP France lost FFr5.30 to FFr137.70.

MILAN ended mixed to lower in a session dominated by technical factors linked to yesterday's expiry of the monthly stock options. Trading was expected to remain technical until the start of the July account on Thursday. The Comit index lost 1.06 to 750.93.

Insurers were firm, with Generali up L100 at L43,900, while Ras added L25 to L26,520. Stet built on last week's gains and closed L72 better at L6,566, another year's high, and touched L6,590 after hours.

Elsewhere, Fiat fell L131 to L10,471 and Montedison slipped L18 to L2,052. Cir fell L60 to L5,730 following news on Friday that AT&T had sold part of its holding in Cir to an investment house closely linked to the de Benedetti group.

AMSTERDAM recouped some of its losses on a firmer opening on Wall Street but still ended lower. The CBS Tendency index, which fell to 119.9 at one stage, ended 0.5 off at 120.4 as turnover shrank to Fl 224m from Fl 241m.

Lower oil prices weighed on Royal Dutch, which fell Fl 1 to Fl 141.90, but they supported KLM, steady at Fl 35.60.

ZURICH fell as hopes of a cut in interest rates vanished. The Swiss National Bank warned that its current restrictive monetary policy would continue. The Crédit Suisse index fell 4.3 to *648.8.*

BRUSSELS followed other bourses lower in slow trading, with the cash market index losing 62.34 to 6,313.36. Société Générale de Belgique slipped BFr10 to BFr3,300 in moderately active volume of 25,100 shares, as Suez of France said that it might help in the sale of the de Benedetti stake.

Tractebel closed BFr400, or 4.5 per cent, lower at BFr8,450 after plunging to BFr7,900 at the opening.

STOCKHOLM was hit by profit-taking. The Affärsvärlden General index lost 5.8 to 1,270.8 on turnover of SKr307m. Ericsson free B shares fell SKr20 to SKr1,295. In a weak forestry sector, MoDo free Bs lost SKr5 to SKr315.

MADRID held its breath before the May cost-of-living figure, due today, and finished little changed in quiet trading. The general index was 0.80 better at 285.39.

SOUTH AFRICA

GOLD AND mining shares recovered some of Friday's losses, supported by a weaker financial rand and a steadier bullion price. De Beers, which saw its offshore investment arm make its debut in Zurich, rose R1.40 to R99.15.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	MONDAY JUNE 11 1990 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JUNE 8 1990 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (80)	137.64	+0.0	121.04	134.38	121.05	118.55	+0.0	5.88	137.69	121.19	133.56	121.49	118.55	158.31	125.85	129.78
Austria (19)	245.66	+0.2	216.02	239.84	216.04	216.13	+0.0	1.25	245.19	215.81	237.84	216.33	216.13	285.63	193.15	118.92
Belgium (61)	150.56	−1.0	132.40	146.98	132.40	129.21	−1.3	4.46	152.06	133.83	147.48	134.15	130.87	160.02	132.11	125.73
Canada (119)	138.61	+0.5	121.89	135.32	121.89	117.53	+0.2	3.47	137.91	121.38	133.77	121.67	117.29	153.61	130.37	141.47
Denmark (33)	253.78	+0.1	223.17	247.77	223.18	222.29	−0.3	1.30	253.53	223.14	245.92	223.68	222.92	260.82	236.69	180.96
Finland (26)	135.90	−0.5	119.50	132.69	119.51	113.43	−0.6	2.41	136.61	120.24	132.52	120.53	114.06	152.29	129.99	139.59
France (125)	158.97	−0.8	139.03	153.24	139.02	140.16	−1.0	2.93	157.98	139.04	153.23	139.37	141.62	168.85	141.69	116.44
West Germany (93)	126.83	−0.7	111.53	123.84	111.53	111.53	−1.1	2.00	127.77	112.45	123.95	112.72	112.72	137.71	122.05	83.85
Hong Kong (48)	130.18	−0.8	114.48	127.10	114.49	130.06	−0.8	4.83	131.33	115.59	127.39	115.86	131.21	131.33	112.24	101.62
Ireland (17)	187.31	+0.1	164.71	182.87	164.72	166.56	−0.1	2.63	187.08	164.66	181.47	165.05	166.68	198.57	172.72	131.42
Italy (96)	106.98	+0.2	94.06	104.44	94.06	99.29	−0.2	2.38	106.76	93.96	103.55	94.18	99.50	107.10	91.85	78.60
Japan (454)	149.26	−1.5	131.26	145.73	131.28	145.73	−0.9	0.58	151.58	133.41	147.03	133.75	147.03	197.26	124.40	168.06
Malaysia (35)	232.41	−1.0	204.37	226.89	204.38	242.43	−0.9	2.23	234.69	206.56	227.63	207.05	244.68	245.32	204.15	178.20
Mexico (13)	538.30	−0.3	473.36	525.56	473.39	1672.96	−0.6	0.31	540.17	475.43	523.98	476.58	1682.61	549.86	324.53	233.31
Netherland (43)	138.80	−0.2	122.06	135.51	122.07	120.56	−0.5	4.66	139.06	122.41	134.91	122.71	121.18	145.66	130.43	114.52
New Zealand (17)	63.33	−1.3	55.69	61.83	55.69	58.14	−1.0	7.58	64.14	56.45	62.22	56.59	58.70	75.36	59.57	62.64
Norway (23)	234.99	−1.0	206.64	229.43	206.66	207.40	−1.2	1.48	237.38	208.93	230.28	209.44	209.99	245.90	202.34	170.39
Singapore (25)	206.98	−0.5	182.00	202.07	182.01	176.55	−0.3	1.92	207.93	183.01	201.69	183.45	177.13	207.93	179.70	158.06
South Africa (60)	184.03	+0.4	161.82	179.66	161.83	159.95	+0.8	3.76	183.26	161.30	177.76	161.68	158.65	251.39	173.80	138.60
Spain (42)	159.76	+0.6	140.48	155.98	140.49	126.90	+0.4	4.20	158.80	139.77	154.04	140.10	126.44	166.19	132.84	144.93
Sweden (35)	214.26	−0.6	188.41	209.19	188.43	194.20	−0.7	2.07	215.54	189.71	209.07	190.17	195.60	217.57	173.69	156.36
Switzerland (66)	101.51	−0.3	89.26	99.11	89.28	90.62	−0.9	2.26	101.86	89.65	98.80	89.88	91.44	104.31	88.75	74.67
United Kingdom (305)	160.32	−0.6	140.98	156.51	140.98	140.98	−0.7	4.79	161.34	142.00	156.48	142.33	142.00	164.31	139.87	135.12
USA (537)	146.28	+0.8	128.63	142.82	128.64	146.28	+0.8	3.32	145.13	127.73	140.78	128.05	145.13	148.55	130.61	133.13
Europe (984)	145.34	−0.5	127.80	141.89	127.82	127.39	−0.7	3.56	146.05	128.54	141.66	128.86	128.33	147.76	135.57	113.27
Nordic (117)	203.83	−0.4	179.24	199.00	179.25	174.38	−0.6	1.72	204.60	180.07	198.46	180.51	175.44	208.93	185.01	151.44
Pacific Basin (659)	148.10	−1.5	130.23	144.60	130.24	143.92	−0.9	0.90	150.29	132.27	145.78	132.59	145.16	192.75	124.63	164.06
Euro−Pacific (1643)	147.37	−1.1	129.59	143.87	129.59	137.72	−0.8	1.97	148.96	131.11	144.48	131.41	138.64	174.18	130.35	143.82
North America (656)	145.71	+0.8	128.13	142.28	128.16	144.37	+0.8	3.33	144.59	127.26	140.27	127.59	143.29	147.67	131.02	133.54
Europe Ex. UK (679)	134.78	−0.4	118.52	131.62	118.55	118.91	−0.7	2.78	135.31	119.10	131.28	119.41	119.80	139.50	124.81	99.42
Pacific Ex. Japan (205)	133.50	−0.4	117.39	130.35	117.41	120.03	−0.4	5.10	134.10	118.03	130.09	118.32	120.51	139.32	122.53	116.11
World Ex. US (1835)	147.68	−1.0	129.85	144.17	129.86	137.65	−0.8	2.03	149.15	131.27	144.69	131.60	138.70	173.77	131.30	149.72
World Ex. UK (2067)	144.64	−0.4	127.19	141.22	127.21	140.35	−0.2	2.23	145.16	127.76	140.81	128.06	140.59	162.00	130.80	139.39
World Ex. So. Af. (2312)	145.79	−0.4	128.20	142.34	128.22	140.23	−0.2	2.47	146.36	128.82	141.96	129.14	140.56	161.84	131.95	139.01
World Ex. Japan (1918)	145.79	+0.2	128.20	142.35	128.23	137.82	+0.1	3.49	145.45	128.02	141.10	128.35	137.64	147.88	134.62	125.39
The World Index (2372)	146.02	−0.4	128.40	142.56	128.42	140.37	−0.2	2.48	146.58	129.02	142.19	129.34	140.68	162.05	132.25	138.99

Australian market closed June 11.

A FINANCIAL TIMES SERIES: Part 6 | SECTION III

EUROPEAN FINANCE AND INVESTMENT

The Netherlands

While Amsterdam seems to have scaled back its bold ambition to become a financial gateway to continental Europe, Dutch financial institutions are now enlarging their resources through a wave of mergers and alliances ahead of the Single European Market after 1992, writes Laura Raun.

A new mood of realism

NERVOUSNESS fills the air in the Dutch financial community as euphoric idealism about a brave new Europe gives way to stark realism about competition and change. Publicly, the Dutch sound as optimistic as ever about their chances of making Amsterdam a "Financial Gateway to Continental Europe."

They enthuse over the 1990s being the decade of Europe, the Netherlands being a bridgehead to the Continent and Amsterdam's long and proud history of international finance. But, privately, many members of the financial community are worried and a few are even gripped by a seige mentality.

Mr Pieter Dankert, State Secretary for European Affairs, reflects the more general view – "I am optimistic that, even if some measures are necessary, Amsterdam is able to withstand the increased competition," he explains. "Those measures include the ABN/Amro merger, which is an indication that we have to arm ourselves against increased competition."

One reason for the prickliness is that national pride was badly wounded by the deal between London and Paris over the Eastern European bank. The Dutch feel the British and French have ridden roughshod over their ambitions to head the bank or give it a home. Mr Onno Ruding, the former Dutch Finance Minister, lost the bitter battle for the influential international post to a Frenchman for the second time. That humiliation poured salt in the wounds. The country has been rocked by the financial troubles of Philips, the Dutch electronics giant, whose chairman, Mr Cor van der Klugt, is stepping down a year earlier than planned. He and Mr Ruding are thus two prominent Dutchmen who have been knocked off their pedestals.

The Dutch, like most other Europeans, are already nervous about the single European Market after 1992 and intensifying competition from foreign players. Narrowing profit margins in the financial world have fueled a dramatic series of consolidations.

What was once the famous Dutch clover leaf of four big banks – ABN; Amro; Pierson, Heldring & Heldring; and Mees & Hope – will soon be just one blade. Amsterdam's chances of emerging as a leading financial centre are viewed more skeptically abroad than at home. More entrepeneurial spirit and less clubbiness are essential, skeptics say.

"The market players and investors won't take risks," laments a Dutchman who works for a leading investment bank in London. "They are bound by outdated regulations. There is a strong tendency to stick to 9-to-5 working hours ... while people in London, Tokyo and New York work harder and longer."

Amsterdam seems to have scaled back its ambitions since launching the Financial Gateway initiative in March 1989. A broad swathe of the financial community group itself behind a package of 23 steps aimed at making Amsterdam the premier centre for trading in Dutch Guilder paper. The campaign is aims to make markets more efficient and Amsterdam more attractive as a place to set up shop. The concerted action was prompted by several worrisome trends:

- Half or more of all trading in Dutch government bonds has been siphoned off by London.
- Dutch shareholders are rebelling after realising those in other countries have far more rights.
- Low stock market prices are hobbling companies' ability to raise fresh capital.
- Dutch companies' infamous anti-takeover defences are under heavy attack from EC directives.
- German unification has over-shadowed Dutch financial markets, economy and industry.
- The Amsterdam Financial Futures Market and Rotterdam Oil and Energy Futures Exchange are struggling against fierce competition abroad.

Notable strengths

But Amsterdam's notable strengths speak for themselves: English is widely spoken; the country enjoys political and economic stability; the Dutch Guilder is a strong currency; Dutch economic growth remains relatively buoyant and inflation is enviably low; and the Netherlands has a centuries-long history of liberal, international trade and finance.

At first, the Financial Gateway initiative pitted Amsterdam against the likes of Paris and Frankfurt. Now there is a slightly different tune from Mr Jan Steinhauser, managing director of the Amsterdam Financial Centre, charged with co-ordinating the initiative.

"Amsterdam is aiming for number four, behind Frankfurt, Paris and Zurich," he explains. "We're number four now, but if we do nothing we might lose that place. This is a defensive initiative."

A palpable nervousness is evident in a reluctance to talk about the future. ABN, the big Dutch bank planning to merge with Amro, feels unable to talk about general developments in the financial world while its partner Amro speaks freely and confidently.

The plan by ABN and Amro, the country's two biggest banks, to merge, is perhaps the most telling sign of the seige mentality. In many other industrialised countries such a combination would have raised questions of monopoly power.

But Mr Wim Kok, the Dutch Finance Minister, gave his blessing to the marriage even before he officially was asked. The Amro/ABN merger will boost Amsterdam's aspirations, insists Mr Steinhauser.

Competing banks say it will probably dry up liquidity while strengthening their hand – "yes, the merger could hurt the Guilder market," concedes Mr Tijo van Marle, head of Credit Suisse-First Boston in Amsterdam. "Both were important players. In the future it will have only one player where previously there were two."

The true test of the Plan's success will be measured in the next year, organisers agree – "I'm fairly bullish, but not overly bullish," concedes Mr Hoogendijk. "It would have been better earlier ... but we're not too late."

Mr Wilco Jiskoot, senior executive vice president of Amro Bank, is unbashadly bullish – "by definition, business will come back," he predicts. "We can fund cheaper than others and you must have a fund base, especially if markets are volatile."

The Amsterdam Stock Exchange wants to at least preserve its sixth place among European bourses and hopefully move higher. The city of Amsterdam keenly hoped to provide a home for the Eastern European Bank and already has launched a campaign for headquarters of the envisaged European Central Bank.

Dutch financial institutions, too small to be global players, are enlarging their resources through a wave of mergers and alliances ahead of the Single European Market after 1992. Amro and ABN's imminent marriage follows the end of Amro's aborted betrothal to Generale Bank of Belgium.

Rabobank, the big co-operative bank, is pursuing the "financial supermarket" concept, linking up with Robeco, the biggest independent mutual fund outside the US, and insurer, Interpolis. Dutch insurers are also forging strategic alliances. But competitors are racing ahead. Foreign financial institutions often cater to Dutch clients' needs in a way unheard of at Dutch banks.

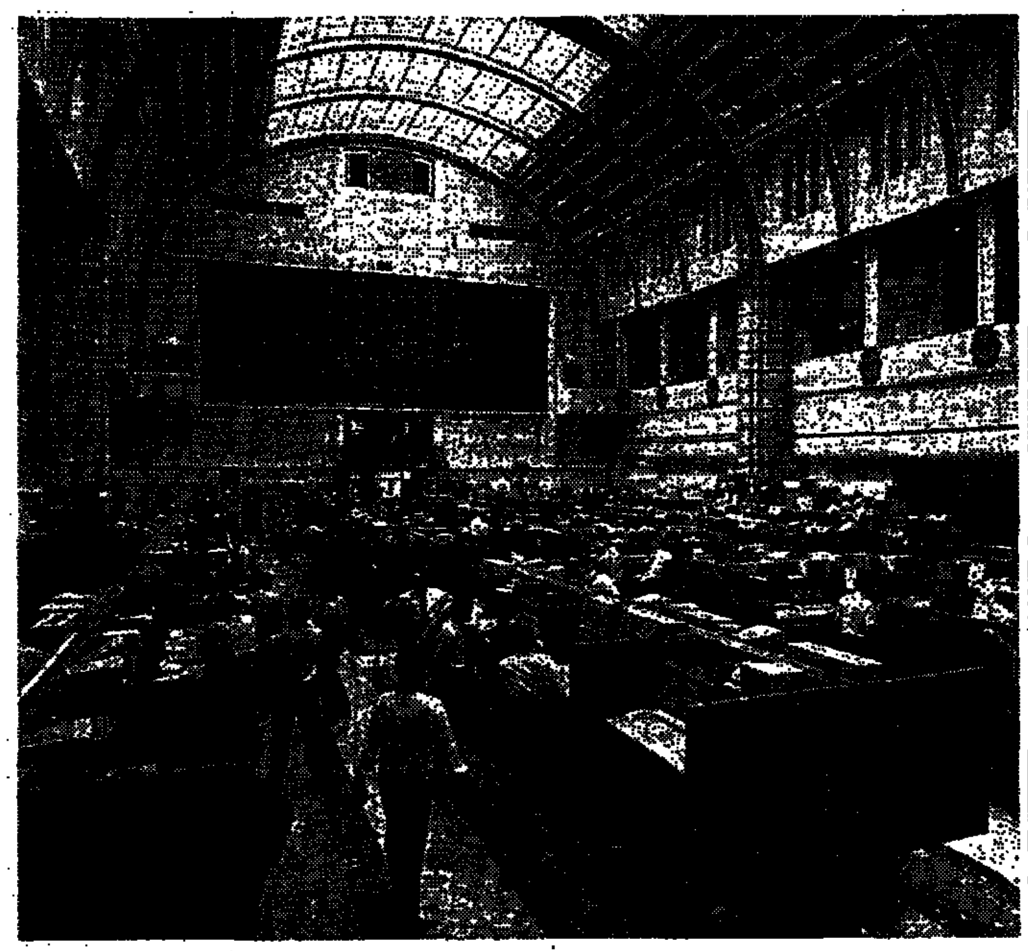
In the retail sector foreign players may be poised for a push, perhaps in credit cards and unit trusts, among other areas. Not without pain will the playing field of the European Community be leveled out. The Netherlands' notorious corporate anti-takeover defences, for example, are under assault from Brussels.

Many observers expect Dutch managers' unbridled powers to be curbed while the limited ones of shareholders will be widened. A group of US investors have filed suit against Philips, accusing the company of providing misleading information.

As a result of European integration market, regulation will increase but the Netherlands prefers gentlemen's agreements, explains Mr Allard Jiskoot, chairman of the Securities Board of The Netherlands.

"You would need such a heavy bulldozer to create a level playing field – with statutory rules – that it would destroy everything," he laments.

But it is more the mentality than the infrastructure which must change, according to critics. Observes a Dutchman who works for an American bank in London: "It seems to me that Amsterdam needs to work equally hard in getting back a spirit of entrepeneurism and risk-taking, two qualities that once made Holland big – and two qualities that seem to prevail much stronger in the UK and, particularly, in the US."



The Stock Exchange, Amsterdam: sweeping reforms are under way

IN THIS SURVEY

Mr Wim Kok, the Dutch Finance Minister: see interview .... PAGE 6

Mr Onno Ruding, former Dutch Finance Minister

The Dutch Government is predicting a big export boost

German unification fillip

GERMAN UNIFICATION will blow a fresh breeze into the Dutch economy's full sails.

Germany came to the rescue when it looked like expansion would dramatically slow down. The promise of a fillip is expected to keep the economy sailing along at about 3 per cent after attaining a 13-year high last year, racing ahead at 4.5 per cent.

A two-fold windfall is expected from eastern Europe's revolutionary changes. One part will come from direct trade with eastern Europe and the other from increased demand from Germany. Mr Wim Kok, the Dutch Finance Minister and Vice Prime Minister, believes German unification, on balance, will benefit the Netherlands. He is convinced that the economic boost will outweigh the blow of higher interest rates, fuelled by uncertainty over Germany.

In 1990, the eighth year of sustained expansion, GNP is expected to expand at rate of 3 per cent and continue at that average rate through 1994. Growth was expected to slow to 2.25 per cent before it became clear what the German effect was likely to be.

This year's slowdown from the 1989 peak of 4.5 per cent was blamed on weakening investment growth. Private consumption will provide the main motor for expansion in 1990. A booming Germany is expected to suck in exports from the Netherlands. Dutch export growth is forecast to accelerate from 4.9 per cent in 1989 to 6.5 per cent this year and continue at a 6.3 per cent pace in 1991. Industrial machinery and chemicals, in particular, are expected to be in heavy demand.

Inflation will remain an enviably low 2.5 per cent this year but accelerate to 3 per cent in 1991. Unit labour costs will climb for the first time since 1987 as wages jump 4 per cent, reflecting years of pent-up demand. The buoyant economy, however, contrasts sharply with sick public finances. The combined budget deficit of all levels of government is expected to widen slightly to 5 per cent of GNP this year from 1989 and total state debt will climb to 65 per cent of GNP.

Prime Minister Ruud Lubbers: facing a dilemma

For Prime Minister Mr Ruud Lubbers and his centre-left government of Christian Democrats and Socialists, the dilemma is how to deliver on the promise of new policies under the severe constraint of a big budget deficit.

In last year's general election campaign the Socialists promised "social renewal" after seven years of a fiscally tight centre-right coalition government. The dilemma may be worsened by the Labour Party's political misfortunes.

In March the Socialists suffered their worst electoral setback since 1982, capturing only 25 per cent of the vote.

Mr Kok, a Socialist, rejects the notion that Socialist ministers must strike a sharper profile. But Mr Ad Melkert, a leading Labour MP, has publicly called for a review of the governing accord between the Socialist and Christian Democrats. Ambitious goals were set by the coalition government that took office last November under Mr Lubbers, now in his third term as prime minister. They include lowering the budget deficit, stabilising the heavy tax burden, linking welfare benefits to private sector wages, cleaning up the environment, improving the infrastructure and modernising education.

The governing partners have promised to pare the fiscal gap down to 3 per cent of GNP by 1994. But slower economic and higher interest rates will make it more difficult. Mr Kok figures the debt burden will be Fl 600m heavier in 1991 if interest rates stay where they are.

Laura Raun

The impact of 1992 and EC harmonisation

A more critical view emerges

THE DUTCH learned a hard lesson the hard way in the dickering over the new Eastern European bank. They found out that, as a small country in the European Community, they must more carefully look out for their own interests because no one else will.

In the future, this hard lesson could mean a more critical approach to European monetary and political union.

"Perhaps people realise that we shouldn't go into a united Europe with common monetary policy and political union," observes Mr Tijo van Marle, head of Credit Suisse-First Boston in Amsterdam. The Dutch may approach it more gradually now. Before, a lot of people talked with a gleam in their eyes about one Europe, he says.

Mr Wim Kok, the Dutch Finance Minister, insists that the Dutch will remain European enthusiasts despite the debacle over the Eastern European bank. But his warning is clear: "I hope the criticism unleashed from the middle sized and smaller EC countries will set the biggest EC countries to thinking because ... it is not good to build a new Europe in an atmosphere in which there is insufficient listening," he notes. "I think it must spur us to remain attent and alert to the democratic gestalt of decision making."

Dutch national pride was deeply and painfully wounded when Mr Onno Ruding, a former Dutch finance minister, was unceremoniously passed over for the head of the Reconstruction Bank for Eastern Europe.

Behind The Hague's back, as the Dutch see it, London and Paris cut a deal in which the bank will be based in London and headed by a Frenchman, Mr Jacques Attali, a presidential adviser. It was the second time that Mr Ruding had lost a bid to head a prestigious international institution, following a similar attempt in 1986 to lead the International Monetary Fund. It was also the second time that he was beaten by a Frenchman, the IMF job. In the past, influential international posts often went to small countries such as the Netherlands because they were viewed as "neutral" by bigger countries.

But the ascendancy of the G7 has put that group of seven leading industrialised lands in the drivers seat. The Dutch, joined by other small members of the EC, rebelled over the gentlemen's agreement but to no avail. It remains to be seen whether the humiliation fuels bloc politics within te EC, increasingly pitting small members against big.

"There is no wonder drug [against deal making]," concedes Mr Kok, although he hastens to add that he expects no factional fighting to develop within the European Community. Nevertheless, he adds: "I believe improvements are possile through penetrating talks with each other."

Mr Marle quips: "They may reread Mrs Thatcher's Bruges speech," in which the British Prime Minister warned against a European "identikit."

After the deal was made, Mr Ruding himself lashed out at the G7 while addressing foreign exchange traders gathered in Copenhagen – "the arrival of the European Central bank will radically change the manner in which industrialised countries work with each other," he asserted. "In place of a G5 or G7 there will be consultation between the US, Japan and Europe, in which the European will play an important role in various areas."

The silver lining around the dark cloud is that the Dutch hand may be strengthened in its bid for future EC institutions, such as an eventual European Central Bank. Amsterdam had wanted to provide a home for the new Eastern European bank and already has launched a campaign for the possible "EuroFed." Some think Mr Ruud Lubbers, the Dutch Prime Minister, may have a better shot at becoming the next head of the European Commission, succeeding Mr Jacques Delors, a Frenchman. The Dutch may also more closely scrutinise EC directives that threaten the heart of their corporate culture. Mr Pieter Dankert, State Secretary for European Affairs, says the justice, economics and finance ministries are studying how The Netherlands will bring its statutes and practices into line with EC regulations.

"We have some anxiety about Commission plans on anti-takeover defences," Mr Dankert concedes, noting that other EC members have cul-

Continued on facing page

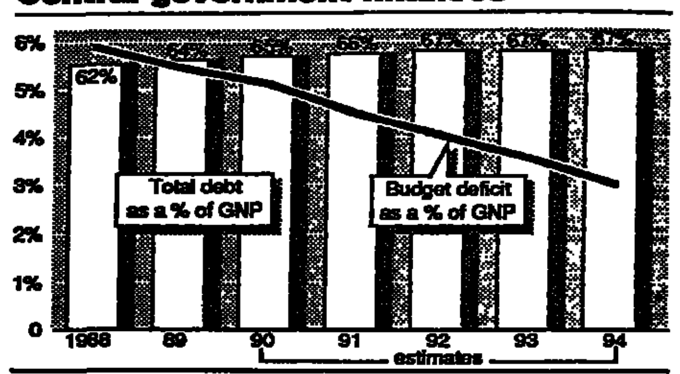
KEY FACTS AND INDICATORS

Area .... 37,291 sq km., (agriculture, 64 per cent)
Population .... 14.75 million
Head of State .... Queen Beatrix Wilhelmina Armgard
Language .... Dutch (English, German widely understood)
Main cities .... Amsterdam, population 692,000; Rotterdam, 574,000; The Hague, 444,000; Utrecht, 230,000; Eindhoven, 191,000; Groningen, 168,000
Currency .... 100 cents = 1 Guilder (Fl)
Average exchange rate in 1989 .... Fl 2.12 per US dollar

THE ECONOMY	1988	1989
Total GDP (Fl bn)	451.23	474.11
Real GDP growth	3.0%	4.3%
Current account balance, US$bn	5.25	8.9
Invisible balance US$ bn		
Exports incl. non-factor services, US$bn	98.61	111.7
Imports incl. non-factor services, US$bn	90.44	93.7
Trade balance, US$bn	8.17	7.9
Trade dependency*	89.2%	91.8%
Inflation	0.7%	1.1%
Unemployment	9.5%	9.3%
Private sector wages % growth	1.1%	1.8%
M1 annual % growth	6.88%	6.93%
M2 annual % growth	13.69%	14.32%
Total reserves, minus gold US$m	16,075	16,508
Gold Reserves US$ m	13,807	14,413
Central government deficit as % of GDP	4.3%	n.a.
Total domestic credit, (percentage growth)	27.5%	5.1%
Discount rate	4.5%	7.0%
Interbank rate three-month money	4.8%	7.4%
Government bond yield	6.3%	7.2%
General share price index 1985=100	106.7	130.5
Financial sector index, 1985 = 100	68.5	76.5
Long bond yield spread with Germany	-0.26	+0.49

Sources: IMF, OECD, Economist Intelligence Unit; Chris Flood, FT Research.

Central government finances



Banks are merging for protection, writes **David Barchard**

The contest hots up

AS 1992 and the single European market approaches, the Netherlands banking scene is rapidly changing as banks and insurance companies merge to help weather the storm.

Dutch banks are used to dealing with the outside world. They service an economy in which two thirds of GNP is exported. Even a co-operative bank like Rabobank, with its roots in the farming sector, has more than 30 offices outside the country.

But Dutch banks are small by international standards and those most vulnerable to a foreign takeover are scrambling for protection.

While Rabobank, which is safe because of its co-operative status, is relying on alliances abroad, most of its larger rivals are looking for merger partners within the Netherlands.

The first large merger, between NMB and Postbank, came last year. The merger killed speculation that NMB would fall prey to a foreign bank or an insurance company and also gave NMB access to Postbank's huge deposit base.

Dutch bankers dismiss suggestions circulating in Amsterdam that NMB Postbank might go on to link up with a German bank.

"The process of a merger takes three to five years and a second merger now would be such a big exercise, that management-wise it is impossible," says one Dutch banker. "On the other hand, a complete takeover is not impossible."

For most of this summer, the Dutch banking world has been spellbound by an even bigger merger between Amro and ABN, the country's two biggest banks. The deal follows the failure of an earlier attempt at a defensive cross-frontier merger with General Bank of Belgium.

Both banks were widely reckoned to be vulnerable to a foreign takeover bid with relatively low p/es and balance sheets around half the size of their main German and French competitors.

"You could say that what is needed for Netherlands Banking is a a world player in the financial markets, when one is looking on the size question not from a domestic point of view but from a global one," says one Dutch banker. "Both banks want to be global players, but they have felt until now that they are not big enough."

The merger should end any feelings of inferiority.

Amro and ABN are planning to form a new European giant — the sixth largest bank in Europe and the nineteenth in the world with a combined balance sheet total of Fl 352.9bn (£117.6bn), with 1,473 branches in the Netherlands and 375 outside it. The new bank will raise Fl 1.8bn (£419m) in a four-for-two rights issue in the autumn.

"The philosophy is that one-plus-one will make more than two where banking is concerned. But I think the new entity will lose some ground at home," says a foreign banker. "But this will be offset by the fact that their playing fields will not be just the Netherlands. And there are some fields, such as investment banking, where a combined Amro and ABN could claim to offer something different. But will they allow duplication of functions to persist or will they combine and go for real investment banking and real growth. I wonder if they will have the courage?"

Talks with unions bedevilled the NMB Postbank merger talks and it has already been reported that unconditional guarantees against forced lay-offs are among the terms of the Amro-ABN deal.

The downside of the Amro-ABN merger is that domestic banking, in a country where most prominent bankers and businessmen are on first name terms, will become even less competitive.

Meanwhile, smaller Netherlands banks are also resorting to protective alliances.

In March last year, VSB savings bank swapped 15 per cent of its equity with Amev, the country's third largest insurer, in anticipation of an easing of regulatory restrictions on tie-ups between banks and insurance companies which came into effect in January this year.

Smaller banks, vulnerable to foreign takeover, are now resorting to protective alliances

Rabobank this year has announced tie-ups with Interpolis, an insurance group, and Robeco, a fund management group, both of whose products it already distributes.

Abroad, Rabobank is building up an alliances with Cera Spaarbank of Belgium and Banco Populare in Spain. Mr Herman Wiffells, Rabobank's president, speaks of establishing a Europe-wide co-operative giant in the banking and insurance business by the end of the century, forged not in boardroom battles but by persuasion.

Of the main European co-operative banks, only Rabobank, DG bank, and Credit Agricole engage in wholesale business. Mr Wiffells says that although there is no talk of closer co-operation between the three at the moment, it cannot necessarily be excluded in the longer term.

The foreign presence in the Dutch banking system is steadily growing. Credit Lyonnais, after a somewhat bumpy start, is now firmly established as the country's fifth largest bank.

Another newcomer is National Westminster of the UK which this spring took its holding in F. Van Lanschot Bankiers, a 20-branch Netherlands private bank ranking eleventh in size, to more than 80 per cent by buying a 40 per cent stake from Rabobank.

Mr John Tugwell, NatWest's chief executive for international business, says he was attracted by several features of Van Lanschot, including its Luxembourg-based portfolio management business, as well as its private customer base and skills in the mid-corporate business including mergers and acquisitions.

"Van Lanschot fits very neatly into our existing business, including Coutts," says Mr Tugwell. "Coutts (the private bank owned by NatWest) has got European customers but until now it has not been able to provide in-house mutual fund type business for them. With Van Lanschot, it will now be able to do it out of Luxembourg. It will also be something of a springboard into Germany."

In other areas, a foreign predator faces serious but not insurmountable barriers. A hostile bidder would have to offer a substantial premium and be prepared for two or three years of court action. Banking is different.

"Banking is still a regulated industry and if there was a bid for one of the main players, the Dutch Central Bank would look hard at it to see what the result would be.

"If a foreign takeover was going to lead to closing down the industry, no-one would accept that," says Mr Wilco Jiskoot, senior executive vice president of Amro.

Retail banking

Signs of belated change

AS DUTCH banks brace themselves for the challenge of the Single European Market, retail banking is belatedly beginning to change. Where retail banking is concerned, the Netherlands falls firmly into the camp of northern countries, led by Germany, where ways of doing things have been dominated by bank cartels for many years and resistance to foreign innovations (usually American), such as Visa credit cards, is still firmly entrenched.

Eurocheque dominates retail money transmission services, while Eurocard — the German-dominated affiliate of MasterCard International — remains by far and away the largest plastic card issuer in a limited market where the leader, Eurocard, has a card-holder base of only about 300,000, though it is expected to grow to around 500,000 by the end of this year.

One of the surprises about Dutch retail banking is the number of people who still prefer to hold cash and stay outside the banking sytem altogether by not even having a current account. Those in this strongly cash-oriented society who do want to put their money in a bank can turn to either (a) commercial banks such as Amro and ABN; (b) co-operative banks, under the umbrella of Rabobank; the giro accounts with Postbank, now inside NMB Postbank; and a group of smaller savings banks.

Rabobank, according to its chairman, Mr Heman Wijffels, has about 40 per cent of the savings markets, totalling around Gl 70bn (£23.3bn) and around a quarter of the residential mortgage market, and distributes around a third of the country's total life assurance.

His sights in the retail banking market — and those of other Dutch bankers — are set firmly on the funding and distribution side of the business. In May, Rabobank signed an alliance with Interpolis, a co-operative insurance group, which will bring Interpolis's chief executive on to Rabobank's board and give Rabobank a stake in the insurance group. The bank already sells around three-quarters of their total production. Now it will also have access to Interpolis's funds, though Mr Wijffel says that they are most unlikely to be used in acquisitions.

One of the surprises about Dutch retail banking is the number of people in the Netherlands who still prefer to hold cash and stay outside the banking sytem altogether by not even having a current account.

At the same time, Rabobank has also struck an alliance with the Netherland's main fund manager, Robeco, to offer its products to its customers.

"We were very reluctant to develop products in the field of funds and securities dealing, and so forth," Mr Wijffels says. "Banks have traditionally feared this kind of business would eat into their deposit bases, but clients undoubtedly want good management of their investment products and we have a strongly-based and very dense distribution network."

Rabobank and Robeco are planning one, possibly two, joint ventures in jointly-owned companies for portfolio management. By pooling their operations in this way, some job losses will be incurred, though Mr Wijffels this will be offset by the growth opportunities the deal will generate.

On other fronts where products are concerned, there are fewer signs of change. Eurocard 18 months ago launched a programme of expansion of its cardholder-base which parallels that now under way in the German market, though it appears to be going more slowly. Dutch banks do not appear to be thinking in terms of competition for merchant acquisition [the supplying of plastic card services to retail outlets] which is handled by the national Eurocard cartel.

Eurocard products remain fairly highly-priced, upmarket products. The traditional Dutch Eurocard, with an annual fee of Fl 90 (£30) is slowly being ousted by a new generation of cheaper cards cost about Fl 40 a year. A target of 7m cards in circulation still looks very distant.

There is only one Visa member in the country — VSB which purchased Bank of America's Visa license in 1988 and has launched a card linked to an interest-bearing current account. There is little customer awareness of Visa among the Dutch public (one recent survey showed that only six per cent of the public recognised the brand), and other banks say they have no plans to join Visa. Any real change will probably have to await developments in the German market.

Meanwhile the banks are slowly nudging the retailers to install terminals. Albert Heijn, a large supermarket chain, has installed terminals in 25 shops to take Postbank's Giromaatpas cards. But electronic funds transfer at point of sale in the Netherlands seems to suffer from the same structural flaw as in Germany: retailers who pay nothing for accepting Eurocheques find it hard to see why they should move to an electronic system for which they have to pay.

Smart cards are even further away, though retailers and banks have drawn up plans for an experiment in Woerden.

Things are not much livelier on the mortgage market. Dutch banks have had bad experiences with housing finance in the past. As a result, says Mr Willem Vander Schoot, senior executive vice-president at Amro, life assurance companies tend to offer mortgages with long-term fixed rates while banks sell at short-term fixed rates. Endowment mortgages, comparable to those on offer in the UK, are known. It is striking that while French, Italian, Danish, and even Spanish banks have set up mortgage company subsidiaries in the UK market in anticipation of 1992, no Dutch bank has yet done so.

David Barchard

Change in attitude over EC plans

Continued from previous page
tural or systemic barriers to hostile acquisitions. "Our system of defences is a legal one and the commission wants to attack legal defences."

Historically, the Dutch regulatory environment has been a free-wheeling one. As an international trading nation Dutchmen needed ample manoeuvering room.

Mr Allard Jiskoot, chairman of the Securities Board of The Netherlands, reluctantly admits the board is gaining power as a result of EC laws and increasingly international markets. But he hopes regulation will keep a light touch.

Mergers and acquisitions in the Netherlands, for example, are regulated by a voluntary code that is primarily designed to protect workers. The code is being modernised at the moment and eventually it probably must be enshrined in law, acknowledges Mr Jiskoot.

The modernised code may require a full takeover bid if a stake of 50 per cent is built up, says Mr Jiskoot.

A 33 per cent threshhold is contained in the 13th EC directive on corporate law. A bill before the Dutch Parliament would require disclosure of share stakes of 10 per cent, 25 per cent, 50 per cent and 66 per cent, roughly in line with an EC proposal.

MPs may lower the bottom threshhold to 5 per cent, according to Mr Jiskoot. The Netherlands' notorious anti-takeover defences are likley to feel the hardest blow. Under pressure from Brussels, many of these impervious defences will crumble and shareholders rights will be strengthened, according to most observers.

Various EC directives would limit the issuance of preferred shares during a takeover bid, require shares to carry voting rights and allow company directors to be dismissed by a simple majority of shareholders. Now Dutch companies can issue preferred shares anytime and many limit shareholders' voting rights.

Management is virtually immune from ouster under a common form of incorporation, the "structuurvenootschap." Given this comforting kind of protection, Dutch managers are certain to oppose any attempt to curb their wide-ranging powers.

In line with the Brussels directives the Amsterdam Stock Exchange has tried to limit listed companies to no more than two anti-takeover defences.

Laura Raun

THE NETHERLANDS 4

The stock market faces big reforms, writes **Laura Raun**

Moves to recoup business

THE AMSTERDAM Stock Exchange's "rolling big bang" is about to climax with an explosion of reforms that will be decisive for the Financial Gateway Plan.

The reforms are immediately aimed at recouping business in Dutch guilder paper lost to London, and more generally at keeping the bourse competitive with foreign exchanges.

Amsterdam intends to offer prices that are as competitive as those in London by trimming transactions costs, improving transparency and increasing volume.

"There is, however, no reason to be satisfied," cautioned Mr Boudewijn van Ittersum, chairman of the Amsterdam Stock Exchange, at the presentation of its annual report. "We are conscious of the vulnerable position of Amsterdam."

The Dutch securities markets have been driven by international trade since the Netherlands' "golden 17th century."

Dominated by universal banks, the markets operate in a relatively free-wheeling regulatory environment. But stiffer competition from foreign players and greater regulatory control from the European Commission are forcing drastic changes.

By any measure, the breadth of reforms is sweeping. On June 5, another 19 Dutch stocks were added to the Netherlands' five blue chips already traded during evening hours, which last until 10pm.

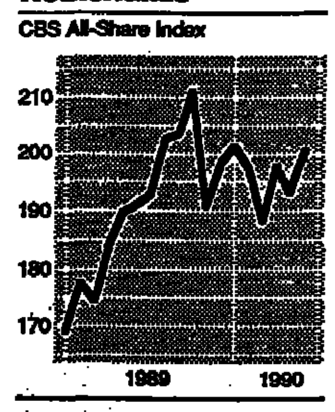
The bourse is confident there is sufficient demand from foreign investors, particularly Americans, and from Dutch institutional investors, who want to adjust their positions overnight.

On July 1, more steps will be taken. A new open order book for dealing in Dutch Government bonds will be introduced in a bid to cuts costs and increase liquidity.

For the first time, banks will be allowed to make markets in bonds in competition with the hoekman firms, or jobbers, who will have the choice of acting as agent or inter-dealer broker. Between 10 and 15 banks are expected to make markets — "it will be a bridge between the market for the private investor, our core business, and the market for the big institutional investor," explains Mr Gerrit de Marez Oyens, general secretary of the bourse. "We want to do everything to ensure the unity of the market."

Netherlands

CBS All-Share Index



Amsterdam has plumped for the hoekman because they have entrenched interests at the bourse, critics argue — "I believe it is to keep people in jobs not because end users want shares traded on the floor," counters a banker at J P Morgan in London. "The open-order book is only an intermediate step."

Many market players believe screen-based trading, rather than centralised floor trading, is the way of the future. J P Morgan and Credit Suisse-First Boston have developed electronic direct-dealing systems because they are cheaper and more efficient.

Bypassing the syndicate structure J P Morgan directly sells high quality "no brain" debt (which takes no brain to sell) to top-notch institutional investors. CSFB has launched a global electronic dealing system for Nestle, the Swiss food company, and may expand it to include more stocks.

New measures

Other steps will be taken on July 1 include:

● The scrapping of the 0.12 per cent stamp duty on securities trades, which is capped at Fl 1,200 a deal, in line with a general move around European to abolish such duties.

● Abolition of minimum commissions on securities transactions. One Dutch discount broker, Boeken, tried to jump the gun before the July 1 deadline but was stopped in its tracks by an outraged financial community.

● Reporting to the stock exchange floor for the first time of all transactions in Dutch Government bonds with foreign institutions. The bourse believes turnover could double or triple as a result.

● Strengthening of requirements on the Parallel Market, the secondary bourse with less onerous listing criteria.

Despite these efforts to pump up liquidity, the Guilder paper market may be drained by the merger of the banks Amro and ABN, according to some market players. But Mr Fop Hoogendijk, a former Amro bank director and now chairman of the Amsterdam Financial Centre, insists that Amro and ABN "will do more volume together than as two separately."

Competitors say a result of the ABN-Amro marriage will be to get fresh clients — those who want a second opinion on a merger, for example. Adversary clients could end up with the same bank in the future.

The Amsterdam Stock Exchange also is forging ahead in efforts to create a European bourse, playing the natural Dutch role of mediator between the divergent London and continental approaches. For example, London wants to impose its SEAQ International direct-dealing system on the European bourses while continental stock exchanges prefer to link up their local markets.

Looking ahead to the 1990s many expect a return to basics in the financial markets and swing away from frilly products with forgettable names.

Mr Wilco Jiskoot, senior executive vice president of Amro, believes a serious Dutch corporate bond sector could develop as "banks step out of lending below cost." Mergers and acquisitions will gather pace as Dutch companies try to strengthen their resources in the run-up to the barrier-free Europe after 1992.

The trend will accelerate as the Netherlands' infamous anti-takeover defences crumble under pressure from the European Commission.

As the defences weaken, share values in Amsterdam, historically lower than most in Europe, should rise, according to market players. That will make the Netherlands more expensive but more accessible as a launching pad for expansion in continental Europe.

People's capitalism and shareholder democracy are spreading, fuelled by government privatisation, internationalisation of markets and greater equity investments by pension funds. Dutch shareholders are more actively exercising their limited rights and demanding better corporate reporting.

Philips, the troubled Dutch electronics giant, is being sued by US shareholders for allegedly misleading them. Henderson, a leading UK unit trust, found that 91 per cent of Dutch shareholders are unhappy with information provided to them by companies. That finding was echoed by a Dutch firm.

All in all, Mr van Marle believes there is a general need to "adjust to realities in the marketplace. Foreigners often think Holland is isolated from market forces.

"If we want to development as a relevant capital market, then we have to have more risk-taking."

Insurance

Market shows rising concern

THE DUTCH insurance industry has put in an outstanding performance in the last couple of years. Profits have been healthy and business has been expanding.

In spite of relatively high expectations for the years up to 1992, some moderate concerns are looming.

A close look at their position in Europe in the run-up to 1992 is the first of several issues demanding the attention of insurance industry managers.

Dutch companies are not large compared with the other major European insurers.

The situation is not improving with companies such as UAP in France regularly swallowing other insurance companies. This has resulted in a company like Nationale Nederlanden slowly edging down the

Continued on facing page

Rotterdam Energy Futures Exchange

A change for the better

IT IS difficult to cope with a famous parent. It is more difficult still to be the prove that you are not too bad after all. After months of negative news, it has become an increasing strain for the Rotterdam Energy Futures Exchange (Roefex), the youngest offspring of the European Options Exchange, to make a credible case to the financial community that it has not disappeared from the face of the financial earth and in fact is doing a quite respectable volume of business.

Market-makers feel the climate is changing for the better. One trader says: "If I didn't feel that there has been a change for the better I would have been long-gone already. It takes time but we all have excellent hopes that the exchange will be OK."

There is more interest from clients in Germany and Switzerland and arbitrage possibilities have been discovered between the London and Roefex contract. The Roefex contract expires the end of the month while the London contract expires in the middle of the month.

Roefex was launched with great enthusiasm at the end of October last year. Although some critical voices asked whether it was necessary to have an oil futures market competing with London International Petroleum Exchange in the same time zone, Roefex seemed a logical extension of the EOE. Moreover, Rotterdam seemed a good spot: close to the real trade in oil products.

But quickly, the exchange was plagued by bad news. Stories abounded of terrifying volume problems and unhappy traders roaming about on the gleaming new floor at the Rotterdam World Trade Center. It did not take long to find out that the story about low volumes was correct. Around ten contracts a day at most were traded. A few months after the start two contracts, the crude oil and the heavy fuel oil contracts were dropped hastily, due to the lack of interest. According to market-makers, the contracts did not suit international needs.

Soon other rumours, such as mangement problems, began to circulate. It was said that the chief executive of the EOE, Mr Tjerk Westerterp, who was also heading up Roefex, had neither the interest nor sufficient experience in the oil industry to propel the new exchange to greater prominence and prosperity. Although Westerterp said later that he never meant to do more than set up the new exchange personally, a new director was soon appointed. Mr R F Sandelowsky, head of the FTA, became the new chief executive. Sandelowsky has decided that, for the time being, no new contracts are to be introduced. Only if the turnover of the remaining gas/oil contract reaches the 500 a day milestone will the introduction of new contracts be considered.

The turnover in the gas/oil contract is still low, but now steadily growing. An average of around 100 contracts are being traded with a similar contract traded at the IPE in London which trades an average of around 9,000 contracts with an open interest of around 50,000. But the light at the end of the tunnel is visible now. Recent marketing activities have proved useful.

There is one issue where the IPE cannot compete with Roefex and that is the proximity of the physical oil market. In Rotterdam it is possible on the expiry date of the contract to actually deliver the oil. Although the real advantages and use of this asset are disputable, it is perhaps the psychological attraction which might eventually propel Rotterdam into the more adult league of exchanges.

E.C.

Edi Cohen on the European Options Exchange's promising start

Amsterdam trading buoyant

AMSTERDAM'S European Options Exchange is one of the most successful derivative exchanges in Europe.

Success has been linked with its affinity with the Dutch investor, and particularly the retail investor who accounts for 70 per cent of all investors, who are familiar with the options concept. Comparing average daily options volume traded last year, the European Options Exchange (EOE) led all European exchanges including Liffe and LTOM with a volume of 52,718 contracts a day.

The EOE's energetic chief executive, Mr Tjerk Westerterp, however, recently warned that volume could fall by 15-20 per cent this year. In the first quarter, the number of options traded has already fallen by 13 per cent. These expectations do not mean that alarm bells are ringing – especially if it is taken into account that 1989 was a buoyant year with volumes rocketing by 57 per cent after a 22.5 per cent pick-up a year earlier. Last year the EOE Dutch stock index substantially rose and net profits doubled. But according to Mr Westerterp, the insecurity of world affairs and the mini-crash last autumn will hold back options trading this year.

Most other exchanges have also seen substantial drops in volumes in the first quarter of 1990. Mr Westerterp says the anticipated fall in volumes will not mean any immediate staff cutbacks. Personnel is still due to grow by about 15 per cent.

A single exchange

The EOE also feels ready for the post-1992 future. Mr Westerterp can imagine a single European options exchange in two to three years.

He believes that the large exchanges will survive on the basis of far-reaching co-operation with each other. For example, there is an agreement with the LTOM to set up a scheme whereby a UK investor could directly buy Dutch stock options through a local broker.

While co-operation is Mr Westerterp's priority as chairman of the representative body of all European options and futures exchanges (Ecofex), his entrepreneurial sense has not been affected.

When the Belgians decided not to co-operate, the EOE decided start trading in Antwerp, firstly to lure Belgian investors (90 per cent of whom are Flemish, according to EOE market research) to the EOE's Dutch products.

Secondly, technical preparations have been made by the EOE introduce its own option on the Belgian Stock Index if co-operation efforts fail.

Mr Westerterp says: "We are going to be either partners or competitors. It could have saved the Belgians millions if we could have worked together, but if they don't we have at least 18 months before they can have a market up and running."

He has seen the remarkable growth of the exchange from 142 seats, worth Fl 25,000 each to 387 seats worth Fl 700,000 apiece. From a negative capital and reserves figure in 1979, the current annual report is showing an easy surplus of Fl 108m. But 1990 will be a transitional year for the EOE. Any flow-on benefits on turnover of long-term options will only be felt in 1991 with the expiration of the very first long-term options traded on the EOE since 1986. Long-term options account for about 22 per cent of the total open interest on the EOE, and this percentage is expected to grow.

The success of long-term options has seen the number of stocks covered double to 10. Another product, the Dutch Top 5 index, was recently introduced. It consists of the five Dutch multinationals AKZO, KLM, Royal Dutch, Philips and Unilever. This option and futures contract, one of the smallest-based index contracts, has generated considerable foreign interest.

Some US brokers have asked the EOE for consent to introduce warrants on the index outside the Netherlands. Mr Westerterp believes that the largest growth will come from stock index options, now the second largest source of turnover after stock options themselves.

Continued from facing page: league table of total European premiums to the second half of the top ten after companies such as Allianz, Generali, UAP and Prudential. However, Dutch insurers have refused to follow the herd instinct of throwing themselves into headlong mergers and alliances. According to Mr Jonathan Walker, of Kleinwort Grieveson, Dutch insurers are strong enough to be choosy about diluting earnings per share.

"There are very few companies that would add value to a company such as Nationale Nederlanden. Moreover, they certainly would not want to lose control and play second fiddle," he says.

Mr W. Dadon Ghijben, board secretary of Nationale Nederlanden, does not exclude the possibility that they are shopping around for a suitable partner – "we are probably the only insurer in the Netherlands who feels that we can do it alone and are not forced into unsuitable and unprofitable arrangements. But that does not mean that if we do find the right partner that the situation would be more preferable."

Others, such as the third-ranked Amev group, have followed the broader European trend towards breaking the boundaries that separate banking and insurance in order to stimulate growth. Amev board member Mr Peter Rosenbery believes that size is going to be important to keep costs down.

In May, Amev was able to take advantage of The Hague's plan to abolish regulations dividing banking and insurance. A proposed merger with VSB will allow savings to either go into life insurance or into savings deposits. Amev is also the first company to agree to a foreign link, with a plan to exchange a 50 per cent stake with Belgian insurer Groupe AG.

Dutch insurers are trying to increase low multiples in an effort to compete — they have often substantially under-stated themselves

The combination of Amev, VSB and AG has created some Fl 5bn out of total shareholders funds of Fl 7.7bn free for new insurance activities and takeovers. Analysts say more mergers are unlikely in the short term, although mergers with Dutch banks appear the most beneficial. Co-operation between Aegon and NMB Postbank is rumoured.

Insurers are trying to increase low multiples in an effort to compete. Traditionally, the Dutch insurers have substantially understated themselves. For example, analysts at BNP Securities calculated that Aegon's current shareholder funds amount to Fl 6.8bn compared with Fl 3.7bn disclosed at the end of 1989, and a current market capitalisation of Fl 4.8bn.

This understatement is a direct result of conservative Dutch accounting practices, especially relating to the non-deferral of life acquisition costs and the overstatement of future life liabilities.

Another question facing the the Dutch insurance industry is whether the profits coming from the life side will remain buoyant. Most Dutch insurers have spread their risks quite well and an international outlook is an integral part of their strategy.

Although two-thirds of revenue growth is generated abroad, the fact remains that 70-80 per cent of operating earnings are in the domestic life insurance industry.

In spite of low growth and the prospect of restrictive legislation, the Dutch life market offers companies one overriding benefit, namely the most generous participation ratios in Europe perpetuated by a cosy, often cartel-like agreement among the group of large insurers. This situation has been accentuated by the recent rise in interest rates. High interest rates mean increased investment income, which represents more than 50 per cent of net earnings at both Aegon and Nationale Nederlanden.

Higher interest rates have had an immediate benefit for life profitability.

If high real rates do not continue, however, the loyalty of Dutch clients may not last forever, especially if more foreign companies flood the market with competitive prices.

The health insurance sector is one area which could grow if the life insurance business offers less and less potential.

One-third of the population is privately insured for medical expenses. In the next few years, the Government might try to shift the burden of health insurance provision from the public to the private sectors. This could mean that premiums could multiply 4-5 times. Insurers say the transition, which is not expected before 1994, will mean greater government regulation and lower margins and may offset any advantage in the increase in total volume.

Edi Cohen

Amsterdam Financial Futures Market

An early stage of development

DEPENDING whom you ask, the FTA (Financieele Termijn markt Amsterdam), nestled on the floor of the European Options Exchange (EOE), is either the successful model of a market of the future – or nowhere near the same league as the EOE.

None of these views are totally representative of the status quo of the fledgling futures market in Amsterdam. Clearly, the market has potential but is still at an early stage of development.

Slowly but surely, more and more professionals are flocking to the market. Its somewhat unhappy start in 1987 was made more difficult by the many Dutch investors who had taken beatings in the commodity markets, with which they associated futures.

The FTA was born as a wholly-owned subsidiary of the EOE. Like the Amsterdam Stock Exchange and the EOE, it is supervised by ther Supervisory board for the Securities Industry.

Trading on the FTA takes place on the same EOE floor and the exchange used the same infrastructure and control systems. There are only eight people on the administrative side, including product research and marketing.

Competing with the popular image of its parents has been difficult. Within the first few months of operation, the FTA decided for instance to stoplisting the FTA bond index contract and to postpone the introduction of new trading months for FTB (Bullet Bond Index) contract.

These decisions were taken, based on disappointing turnover figures. But the notional bond future, introduced in June 1989, has been designed with more international specifications in mind.

Characteristic of this contract is that at the end of expiration day, the holders of an open position will be assigned to receive or deliver bonds. The turnover figures in this contract have been much more encouraging.

The question some observers ask is whether the unspectacular start of the FTA is not simply due to a lack of interest by Dutch investors in futures as such.

Because the EOE clients are 70 per cent private, it could be possible that these private investors do not want to take the risk futures bear.

Moreover, some will even go so far as to speculative and will never go for futures as they have for options.

But brokers and market makers involved are adamant about its growing success. Partly, on this optimistic reading, the slow start is a question of education.

Frits Corporaal, chief executive of Sure Options, recently published a small information booklet on the use of the futures listed on the FTA and was surprised to find that many of the large banks ordered them – "if the large banks want to know the basics about futures then you sure know that this market is still in an embryonic stage."

But being embryonic also implies growing fast. There are now some 25 traders on the market. Seat prices have soared from Fl 25,000 today and all 250 issued are now taken up.

The real success story is the FTI contract. This is the future based on the EOE stock index with an open interest of 7,818 at the end of 1989.

Another relative success if the future based on the notional bond, with an open interest of 2,745 at the end of last year.

Recently, a future was launched on the Dutch Top 5: AKZO, KLM, Royal Dutch (Shell), Philips and Unilever, and is already is popular.

E.C.

David Barchard on an Amsterdam campaign

Building a gateway

AMSTERDAM is making a strong bid to woo financial services and data processing companies.

A separate department of the city council has been set up to guide foreign companies through the problems of getting established in Amsterdam.

Last month, the council published a joint study with the European Community Commission on its opportunities in European market.

"We are trying to position Amsterdam as the financial gateway to continental Europe," says Mr Piet Jonker, the deputy mayor for economic affairs.

"We want to remain an international centre and a big tourist centre, while becoming a financial centre and a traffic distributor." Manufacturing does not figure prominently in the picture. The emphasis is on services.

Amsterdam has one of Europe's main international airports at Schiphol – Paris, London and Frankfurt are all less than one hour's flying time away; a workforce where one in four people has a university degree; and a long-standing tradition of providing sophisticated financial services: the city is, after all, home to Europe's oldest stock exchange.

With all that going for it, the Dutch regard it as no surprise that Japanese and Korean companies are using Amsterdam as their springboard for Europe.

"They tell us that their reasons for chosing it are Amsterdam's accessibility; the Port at Rotterdam, the largest in the world; tax facilities for foreign companies, and price levels here," says Mr Jonker.

Data processing operations are also among the foreign companies targeted by the municipality. Diners Club, and Swift, the international interbank funds transfer agency, have operations in the city.

The Dutch tend to cite superior telecommunications as as one of the potential attractions of Amsterdam – a claim which is privately disputed by some expatriates in the city.

Would-be newcomers are helped by the municipality to find real estate by a team of six full-time staff, backed up by a national government department. There are between seven and 10 applications in the average year.

"We always hear the same reason for coming," says one of Mr Jonker's officials. "1992 is approaching and foreign companies want an export base in the European Community."

Some disadvantages offset the attractions. Skilled employees, especially computer staff, are relatively expensive. Although there there are some tax breaks for expatriate staff, taxes are still high. A reduction of the marginal rate from 72 per cent to 60 per cent is planned. But a report published by the City points out that Dutch tax rates are still far from competitive compared to other European centres.

Some foreign companies are also deterred by the city's Bohemian image as a centre for drugs and prostitution. But municipal officials see the famous red-light quarter as a more of a tourist attraction than a social problem, while they assert that the drugs problem is declining.

Although many international corporations have set up in Amsterdam, there are relatively few international official organisations in a city which would appear to be well-suited to act as home to them. The UN is represented by its Commodities Fund. The Netherlands put in a bid to have the new European Reconstruction and Development Bank located in Amsterdam and officials admit to being bitterly disappointed when their city was passed over for London.

A measure of how far the city has come to achieving its goals is the fact that there are now eight different international schools in Amsterdam – although curiously no French-language schooling.

To tempt more companies and businessmen, Amsterdam is working on a programme of improvements, which includes:

- A Schiphol Area Development Corporation to help provide more space for airport-related activities around the international airport.
- Providing high tech industrial sites along a new highway between Schiphol airport and the seaport.
- Modernisation of the western seaport area.
- Development of a Teleport, to provide a moving frontier of new services in information technology.
- Redevelopment of the area around the Central Station to provide more space for hotels, congress facilities, and shops and offices.
- A science park.
- Upgrading some of the existing industrial parks in Amsterdam to make them more attractive.

In the longer term, however, Amsterdam's fate is probably tied up with a question which no one can yet answer: will the new Europe of the single market be centrifugal or centripetal? But if a reunited Germany does exert a stronger-than-expected gravitational pull on the rest of Europe, Amsterdam and the Netherlands can draw on a tradition of involvement with the German trading world which stretches back into the Middle Ages.

As one Dutch bank puts it: "In practice, anyone setting up here is setting up in Germany. That has got to be a big advantage."

REGULATION

New powers on the way

"WE THINK our arrangements give us the maximum of supervision at the minimum of cost. The system works well and it does what we wanted it to do," says Mr Allard Jiskoot, chairman of Stichting Toezicht (STE).

With a small staff, STE is the Netherlands equivalent of the UK's Securities and Investments Board (SIB).

It has five full members and two additional ones (the chairmen of the Stock Exchange and the Options markets) backed up by a tiny staff in Amsterdam's Paleisstraat. A team of 25 investigators in the compliance department of the Amsterdam Stock Exchange reports directly to STE.

STE's authority is delegated to it by the Ministry of Finance, the traditional supervisor in the Netherlands of the financial securities business. Its establishment came partly as a response to international pressures, including the proposed European Community legislation in Brussels. The Netherland's "boiler-room" financial scandals of the early 1980s also played a part.

Later this summer, new legislation will give the STE additional powers, placing supervision of the securities industry under one roof and giving it more powers to investigate. At present, Dutch laws protecting privacy present an obstacle, although investigation into insider trading is perhaps a less difficult task than in larger countries.

"We live in a small world where everybody knows everyone else and who is friends with who or or was at school with who," says Mr Jiskoot. "Our data on connections are inside our own heads."

One of STE's functions will be to make these connections available to outside bodies, such as the SIB or the Securities and Exchange Commission, for their investigations. A possible stumbling block, which appears to have been overcome, is the disclosure of information on matters which are offences in the US or Britain, but not in the Netherlands.

STE has forged close links with SIB and the first meeting of the European Stock Exchanges Organisation (EOSE), took place in Amsterdam last November.

The third meeting of EOSE is planned for this month. STE says it wants to see Community directives applied as closely as possible without opening the way for over-regulation from Brussels.

One of the changes in the draft law will be the introduction of limits at which a shareholder must disclose his stake.

Until now, with many share certificates made out to their bearers or held by banks, it has been difficult for Dutch companies to find out whether or not a potential predator is building up a stake. The new law sets limits of 10 per cent, 25 per cent, 50 per cent and 66 per cent, at which stakes in a company must be disclosed.

Although the starting point is still well above the 3-5 per cent levels required in some other EC countries, the innovation will add significantly to STE's workload and need for staff.

The changes in securities regulation are part of the Netherland's preparation for 1992 and the single European market. The banking and insurance sectors have also started rationalisation. In the former, some long-defended barriers are being dismantled in preparation for the single market.

Since January 1, the old division between the insurance industry and banking has been removed. Banks and insurance companies are now starting to eye each other with a view to striking up a long term relationship in the market after 1992.

Officials believe there will not be too many risks involved, provided the bank is strong enough and supervisory authorities remain on their toes.

"We have to see that mother can carry the burden," says one official. As with securities regulation, the Dutch central bank, through Mr Herb Muller, has played an active role in creating an international regulatory framework for banking industry in the 1980s which produced the BIS standards on capital adequacy.

It is now pressing for similar international agreement on standards and regulations for the insurance industry.

There are suggestions that the merger of Amro and ABN in the banking sector is extending the low rate of competition in the Dutch market. Some say a strong element of defensiveness still runs through the regulation of the financial services industry. A Dutch official says: "We feel we are part of an open larger market. We don't feel this is a highly protected market any more, indeed our perspective is not just limited to the European scene. Europe cannot stand isolated by itself from the world markets in the 1990s."

Even so, fear of a hostile foreign bid for a Dutch banking group is clearly strongly felt.

Many of the changes now going on seem to be directed at coping with this possible threat rather than making the market more competitive.

David Barchard

Interview: Wim Kok

Warning the big boys

IT TAKES a lot to make a Dutchman angry.

When Mr Wim Kok talks about the new Eastern European Bank, he comes as close as a Netherlands finance minister can to being angry and still maintain his dignity.

The deputy prime minister, like most of his countrymen, is indignant about the deal cut between Britain and France on the new bank's president and location.

He politely warns the big countries of the European Community that they must listen to their smaller brethren if democracy is to be maintained.

"The strengthening of the current [EC] integration must take place within a joint desire to listen to each other, to take each other seriously, to judge each other on the basis of arguments and not to deteriorate into the mistake of making agreements between a few 'bigs' in small rooms behind closed curtains," Mr Kok told the FT in the first interview on the subject with a foreign newspaper.

"I really hope the big countries of the European Community, and in their capitals, have understood that it is not a good thing to take decisions outside the channels of the EC that affect other members," he said.

The Dutch had keenly lobbied for their former finance minister, Mr Onno Ruding, to head the bank, and were convinced of support from Mrs Margaret Thatcher, prime minister of the UK. The Bank for European Reconstruction and Development will be headed by Mr Jacques Attali, a French presidential adviser, and have its headquarters in London.

In protest against the deal, done behind "closed curtains", neither Mr Kok nor any other Dutch minister attended the May 29 signing ceremony for the bank. Some Dutch people feel their language and whole cultural identity could be threatened by a unified Europe.

As a relatively small country, the Netherlands has been painfully reminded of how easily its interests may be ignored.

"I think in a further integrated Europe there will still be room for cultural identity and distinctions," Mr Kok observes. "It would be a great underestimation to think the differences will also be harmonised."

Mr Kok quietly draws a distinction with Mrs Margaret Thatcher. "We don't have to cherish them [differences] in an artificial manner, as Mrs Thatcher has done."

The minister, aged 52, is a notably placid politician. In keeping with Dutch practice, he avoided frontal attacks on government ministers when leading the opposition Socialist benches in parliament from 1986 to 1989.

In 1986, he was elected as a Labour MP after spending most of his career as a trade unionist. For many years he chaired the Trade Union Confederation of the Netherlands and served as vice president of the International Confederation of Free Trade Unions from 1973-85.

> **'In a further integrated Europe, there will still be room for cultural identity'**

Mr Kok took office as Finance Minister last November when the Christian Democrat-Labour coalition government of Prime Minister Mr Ruud Lubbers was sworn in. He lacks the biting intellect of his predecessor, Mr Ruding, but is considered a more effective team player in the Dutch Cabinet.

From the start, Mr Kok has been hamstrung. As a Socialist deputy prime minister, his party has expected him to be a driving force behind "social renewal" – Labour's banner call during the elections. But as finance minister, he is constrained by a huge government budget deficit and a mountain of state debt.

Critics within his party have accused him of lacking direction and have suggested that the governing accord between the Socialists and Christian Democrats should be reviewed. Some Socialists feel the party must strike a sharper profile in the parliament and government, following a political nadir in local elections last March.

Labour won only 35 per cent of the vote, the lowest since 1982. "The election wasn't a test of the Government," Mr Kok insists. "We are still in the start-up phase of the coalition." He also rejects speculation that cabinet tension will be provoked by the Socialists' electoral setback. The Christian Democrat-Labour coalition, the first centre-left government in seven years, is fulfilling its pledge on social renewal, he claims.

Mr Kok is equally sanguine about Philips, the big Dutch electronics group which saw its chairman resign a year early due to financial troubles. Philips is the largest electronics company in Europe and the biggest private sector employer in the Netherlands.

Philips is important to the Dutch economy and a repository of strategic European high technology. Given that Mr Kok is a Socialist he might be expected to favour financial support for Philips. But that is not the case.

"*I don't think government* support is an alternative for survival on their own two feet," he says. "I have no reason to doubt that Philips can surmount its difficulties."

Commenting on Amsterdam's ambition to be a financial gateway to continental Europe he admits: "Certainly there is, in parts of the financial world, a growing feeling of uncertainty over what implications 1992 holds." But that concern has existed for several years, he argues.

"There is no alternative, absolutely no alternative, for a line in which you try to secure and improve your relative position in the international world," he insist.

A merger between the two biggest banks in the country would have raised more than eyebrows in many countries.

But in the Netherlands, the marriage of Amro and ABN got a blessing from Mr Kok even before the couple officially asked. "Why shouldn't the Netherlands have a bank in the top 10 of Europe, as ABN and Amro will be, when it already has big companies that are in the top 10 in other sectors?" Mr Kok asks.

After plans for the merger were announced in March, Mr Kok was the first to publicly describe it as a defensive move rather than an offensive one, which the two banks had done.

"A good defence is not wrong," he avers. "We can't win the World Cup in Italy if we only have a good offence."

Laura Raun

FINANCIAL TIMES SURVEY

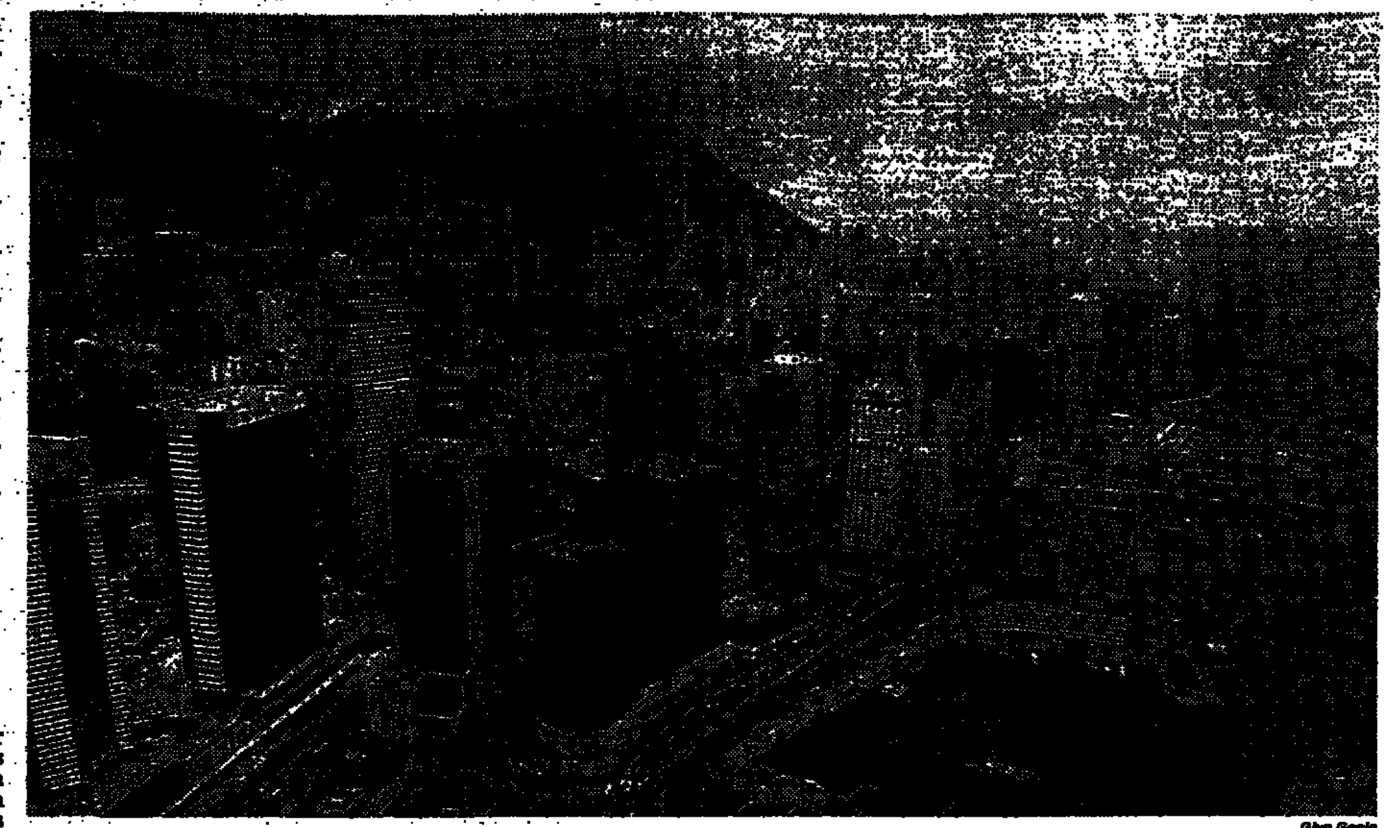
HONG KONG

Tuesday June 12 1990

SECTION IV

The colony is coming to terms with the knowledge that the post-1997 system will only work if there is co-operation with Peking. However, China's internal tensions plus the implications of this realisation have helped to undermine long-term confidence. **John Elliott** investigates

Anger gives way to reality



Glyn Genin

The central district of Hong Kong

HONG KONG is coming to terms with its destiny. A year after hundreds of thousands of people marched through the colony in support of China's Tiananmen Square democracy demonstrators, the anger that was sparked by the Peking army clampdown is being replaced, albeit reluctantly, by a recognition of reality.

That reality, drummed home by China's leadership in recent months, is that Peking will control the future of Hong Kong after Britain hands over sovereignty in 1997.

The message is that the concept of "one country, two systems" agreed by China and the UK for a 50-year period after 1997 will only work if there is co-operation with the reinstated sovereign rulers. Without that Hong Kong's role as an internationally important economic and financial centre may wither.

The flavour of decline can be tasted, in spite of the colony's continuing rise in construction activity, a tight labour market, and all the bustle and glitter of a busy entrepôt centre.

Economic growth has fallen to about zero in recent months, although the Government is still forcasting 3 per cent growth for the year. Consumer spending and property prices are depressed, 1,000 people a week are emigrating to obtain foreign passports, and there is a growing corporate migration of companies' legal domicile and new investment.

Although there have been stock market flurries, long-term confidence has been undermined.

People will continue to invest and do business in Hong Kong so long as it continues to be one of the easiest places in the world to make money and to do trade and international financial deals. But the ethnic Chinese families who are almost all refugees from Chinese communism, and the expatriate community, are increasingly diversifying abroad in various ways because of Peking's lessons of the past year.

This is all dramatically different from the mood a year ago.

The Tiananmen Square student movement raised hopes that China would change and so assimilate Hong Kong more easily.

After the army clampdown, there was anger and disillusionment which turned into a call for China's leadership to bend to Hong Kong's wishes.

Backed by the British Government, China was virtually told it should agree to increased democracy in the colony, a Bill of Rights, and other confidence-boosting measures. Local leaders such as Mr Allen Lee, the senior Legislative Council member, were of the feeling that interference by China was unacceptable.

But the Chinese leadership saw it differently and now has much more influence. There was, they said, nothing in Tiananmen Square to atone for, and Hong Kong's new role as an anti-communist subversive centre had to be squashed.

Peking has therefore asserted its right and ability to interfere, so increasing the nervousness of a jittery population – although there are still strong feelings about Tiananmen Square as more than 100,000 people showed in a demonstration on the first anniversary of the crackdown.

"The Chinese leadership does have more influence now in Hong Kong because they are trying to move things in their own direction," says Mr Vincent Lo, a prominent and politically active young businessman. "Before June last year they tended to be more accommodating to Hong Kong's views. Now they say 'this is how things are to happen' on major issues."

The flavour of decline can be tasted, in spite of the continuing rise in construction activity and all the bustle of a busy entrepôt centre

Two practical examples illustrate the point. Reservations voiced by top Peking leaders have made international companies and institutions reserve judgement on financing the HK$127bn airport and container terminal projects. Now the Hong Kong Government is anxiously waiting for Peking's official blessing for the airport – 12 months after it was refusing to acknowledge that China had any right to be consulted.

The second case involves Mercedes car smuggling to China. Hong Kong's marine police laid a trap for the Chinese smugglers, but were foiled by men wearing official Chinese uniforms. China refused to acknowledge there had been any significant incident. Five Hong Kong seamen were detained in neigbouring Guangdong province for nearly four weeks without trial, and the Mercedes, presumably destined for senior Chinese officials, are not being returned.

The airport example has reminded the Hong Kong Government how easy it is for Peking's leaders to upset their policies and plans. The second story has worried the mass of the 5.8m population for two reasons. First, it showed Hong Kong was powerless to stop people being abducted without trial. Second, it confirmed a fear that Hong Kong will be seen by many corrupt Chinese officials as a place to be milked for wealth and luxuries.

From China's point of view Hong Kong is still a danger, if only because of its continuing mass street demonstrations and because it is a gateway to freedom for dissidents.

Mr Xu Jiatun, the former head of the Xinhua News Agency, Peking's de facto embassy in Hong Kong, used the colony as an escape route to the US when he feared he was about to called from his southern China home to Peking for disciplining.

People's eyes, and the stock market's sentiments, are constantly tuned into Peking for signs and portents. Recent stories of intensifying top leadership struggles have begun to lift confidence because they might herald a downfall of hardliners. Optimists argue that Hong Kong's confrontations with Peking only mark a passing phase and that relations, and Hong Kong's confidence and economy will get better.

"The people of Hong Kong will get over things and work together as they have done in the past," says Mr William Purves, chairman of the Hongkong and Shanghai Bank.

He also puts a brave face on the impact of the brain drain which has hit his bank and other companies. "Young people are coming up with lots of ability and ambition – and they are not on drugs or alcohol, nor the other minuses of a lot of other cities in the world."

Businessmen know that there is great potential for an economic recovery and for another investment cycle if only the gloom of the last year can be shaken off. Economic prospects have been improved by the US plan to continue giving China, with which Hong Kong has close economic links, most favoured nation trading status.

Socially, tensions have been eased by a sharp decline of 80 per cent in the arrival rate this year of boat people from Vietnam.

But the main and hard lesson of the past year is the reality that, on the night of June 30, 1997, control of the colony will be handed back by the UK to Peking. Control will not, as some people have dreamed, be passed directly and solely to the Hong Kong's Special Administrative Region Government to be run by people who share and respect the territory's traditions of freedom and capitalism.

Peking will then formally hand administrative responsibility to the regional Government, which will have the right to run its own system of capitalism and freedom. But in practice, unless there is a change in China, Hong Kong will only be allowed to do so if Peking's communist leadership feels comfortable that its rights of control are accepted and are not being challenged.

In this survey

Editorial production: Phillip Halliday

Fact File

Population 5.85m
(97% ethnic Chinese)
Currency .... HK dollar
pegged at HK$7.80: $1

GDP per capita
(current prices)
.... $12,000
GDP growth 3%
Inflation 8.5%

Exports ...... HK$633bn
(6.1% growth)
Domestic exports
.... HK$236bn
(2% growth)
Re-exports . HK$397bn
(9% growth)
Imports ...... HK$628bn
(6.9% growth)

Labour force 2.8m
Land area
.... 1,070 sq km
Population density
.. 5,355 persons/sq km

(Source: Hong Kong Government)

David Waller assesses the uncertain future of the economy

Spectre of Tiananmen looms

THE LAST decade was a period of ups and downs for the Hong Kong economy. The down period lasted from 1982-86, following Mrs Thatcher's decision to hand the colony back to China in 1997. The rise lasted from 1986 to June 4 last year.

Since the Tiananmen Square crackdown, the economy has been idling. The massacre had an instant impact on business confidence; international trade slowed down sharply, tourists stayed away and consumers started to save rather than spend. At the same time, the austerity programme in China started to bite. The net result for Hong Kong was that gross domestic product growth slowed to 3 per cent last year, compared to an average of 10.5 per cent in 1987-88.

What about the future? It is thought that there will have been no growth in the first six months of this year but that there will be a revival in the economy in the second half. The Government forecasts that there will be growth of 3 per cent for the year as a whole. Independent analysts suggest that growth for the 1990s will be about 5-6 per cent a year. Not as heady as the 13 per cent achieved in 1988, but respectable nonetheless.

The Hong Kong economy is driven by factors beyond its control: witness the fears generated here ahead of President Bush's ultimately favourable decision on China's trade status. The US is Hong Kong's largest trading partner so any downturn in North America will hit Hong Kong hard.

The other influence is China. Even if the worst fears do not materialise, the uncertainties depress business confidence and thus economic growth.

The main local problem is one of inflation: the rate of increase in consumer prices has risen from 3.2 per cent in 1985 to some 10 per cent in 1989. This is a belated consequence of the years of vigorous growth. The economy is working virtually at full capacity, with unemployment standing at a negligible 1.3 per cent, down from 3 per cent or above until 1986.

Real wage growth for those working across the range of manufacturing, services and construction, was in double figures during 1989. This applies to the top and bottom of the labour market, with white collar workers enjoying large pay increases in recent years as a consequence of the brain drain.

Since the Tiananmen Square crackdown last June, the Hong Kong economy has been idling

The Hong Kong dollar has been linked to the US dollar since October 1983, and as a result inflation cannot be contained by an adjustment in the exchange rate. In theory, adjustment to overheating ought to come from a rise in domestic costs reflected in higher export prices, which in turn ought to depress demand for exports and ultimately lead to a slow-down in the economy.

Mr Alan McLean, economic adviser at the Hongkong Bank, says export prices have not gone up at the same rate as costs. Nevertheless, other factors have acted to depress the economy and the inflation rate has shown signs of slowing: the Government predicts that inflation will slow down to 8.5 per cent this year.

"The decline in the inflation rate . . . will remain a long drawn out process due to the tight labour market and the ability of the service sector to pass on higher costs to the consumer," says a recent report from the Hang Seng Bank.

Another worry is the way the structure of the Hong Kong economy has changed during the 1980s. The proportion of Hong Kong's GDP coming from manufacturing has been dropping, from 24 to 20 per cent between 1985 and 1989, while that of the service sector has been increasing. There are problems ahead for both services and manufacturing.

The danger for Hong Kong in the long term is that it is relying too much on low-margin exports and that it is thus competing directly with other Asian countries, which will ultimately be able take advantage of even lower wage costs than in China.

"There are no signs that Hong Kong companies are making the necessary investments in research and development which will make them able at the top end of the market," says Mr Barry Yates of First Pacific Securities.

The problem for the service sector is that locals are saving rather than spending, if only so they can qualify for residence overseas: this has shown up in depressed sales of cars and consumer durables.

The brain drain is another long-term problem, as is the associated question of capital flight-flows overseas. The Hongkong Bank's economic review recently caused an uproar when it suggested that the flow of capital from Hong Kong had risen tenfold, to HK$24bn, during 1989.

The Government's denies that there is a problem, saying that there has been no pressure on the exchange rate, adding that if capital has left the territory for investment overseas, that investment will ultimately rebound to the benefit of Hong Kong.

A big question mark also hangs over the property sector: a recent report from Dr Marc Faber, formerly managing director of Drexel Burnham Lambert in Hong Kong, predicts a decline over the next two to three years, based on rising supply and sluggish demand. Property agents note an easing in prices and rentals, but no large falls. Demand for residential property seems to be holding up, though not in the luxury sector.

The economy should be lifted by the anticipated HK$127bn expenditure on infrastructure scheduled to be completed by 2006. More important is the confidence of overseas investors and local businessmen. There have been many high profile corporate investments into Hong Kong, but this has not been matched by great enthusiasm to invest in the local stock market. Shares have recovered from their post-Tiananmen low, but are still valued on a price earnings multiple of about 9.0, the lowest rating applied to any of the world's leading markets.

The local people clearly lack confidence: some 1,000 of them are bailing out every week.

Nevertheless, as Mr Francis Yuen, chief executive of the stock exchange, observes: "Hong Kong has never been a bed of roses. There is plenty of uncertainty but history suggests that the biggest rewards come at a time of greatest risk. There is no shortage risk-takers in Hong Kong and the rewards for the winners will be great."

POLITICS

Camps split by China's impact

HONG KONG'S amateur politicians are having a field day, while the job of actually administering the territory in its final years as a British colony is becoming increasingly complex for an ill-equipped and stretched government machine.

A sharp decline in staff morale since last summer, and growing manpower shortages, are hitting both the government administration and the police force at a time when the job of running Hong Kong is rapidly becoming more difficult because of the approach of 1997 and the development of political activity.

The political focus is on polls for the legislative council in September next year when 18 out of 60 seats will be directly elected for the first time. At present, all the council members are government appointees or indirectly elected through occupation-based functional constituencies and district and regional boards.

Political parties are being formed and two main groups are emerging. On the liberal wing are the United Democrats, who have been set up by leaders of the anti-Peking demonstrations last summer and headed by Mr Martin Lee, a prominent lawyer and democracy campaigner.

On the other wing are prominent businessmen from a right-wing lobby called the Group of 89 who are forming a party called the Liberal Democratic Federation.

Mr Lee's party is prepared to confront China, though it is distancing itself from a pro-democracy alliance set up during last year's Tiananmen Square crisis which actively attacks Peking. It is adopting a general populist stance. For example, it is supporting trade union opposition to a recent Hong Kong government decision to import 15,000 workers needed to ease a labour shortage.

The business-based party is anxious to be seen to be avoiding confrontation with either the Hong Kong or Peking Governments, and it is not in favour of speeding up plans for direct elections in Hong Kong. But it knows it must find itself a charismatic leader, and develop grass roots support, if it is not be overwhelmingly defeated by the United Democrats. One possible leader, who has yet to declare himself, is Mr Allen Lee, the senior member of the Legislative Council.

The Group of 89, which consists of most of the colony's top entrepreneurs and businessmen, is considering forming a new high-profile organisation which would focus on economic and other policies aimed at maintaining Hong Kong's stability and economic success.

The figure of 18 directly elected seats for next September was agreed between China and the UK earlier this year as the first step of democratic development. This will continue under the Basic Law.

This law, which will form Hong Kong's mini-constitution after 1997, was finalised by Peking in April. But it was condemned in Hong Kong for not moving fast enough because the 18 seats will only go up to 24 (40 per cent) in 1995 and 30 (50 per cent) in 2003, with no guarantees of further increases.

A broad consensus in Hong Kong, backed by the existing Executive and Legislative Councils, wanted 50 per cent in 1995 and 100 per cent in 2003. The Legislative Council has called on China's National Peoples Congress to improve on the plan, but this seems impossible in the foreseeable future.

In spite of the disillusionment, the electoral tempo has been building up quickly and the Government is trying to generate popular interest in next September's elections. It hopes that a substantial voter turnout for those elections, and the establishment of a calm and stable new assembly might soften China's stance.

The Government has problems, primarily as a spin off from last summer's Peking crack-down. Exacerbated by Hong Kong's tight labour market, resignations from the civil service in the 12 months to March this year totalled 7,913 compared with 7,150 and 4,065 in the previous two years.

More seriously, many of the colony's 190,000 civil servants are debating whether they want to serve in an administration which will ultimately be under Peking. They are also concerned about the security of their pensions after 1997.

This has led to unusual militancy, including a fire fighter's strike earlier this year. Top-level civil service pay rises this year have totalled 35 per cent, including a special review award. Civil servants at all levels, faced with uncertainty, are going for extra short-term benefits instead of relying on the traditional long-term security of their jobs.

John Elliott

David Waller examines the professions

Sharp rise in costs

AN accountancy qualification in Hong Kong is more than just a passport to the mysteries of double entry bookkeeping: it can mean a passport to Canada, to the UK or to the US. Hence the profession has acquired an allure that it has in no other commercial centre in the world.

This is not true of the legal profession, which elsewhere is regarded as more intellectually stimulating than accountancy, better paid and with more cachet socially. Not so in Hong Kong: Chinese lawyers complain that the brightest students, anxious to have as much flexibility as possible in the run up to 1997, long ago twigged that there was little future in becoming a Hong Kong lawyer.

All the Big Six international accountancy firms are represented in Hong Kong, the biggest two employing 1,000 staff apiece. Numerous overseas lawyers have branch offices here, and there are two large local firms in the Anglo-Saxon tradition, namely Deacons and Johnson Stokes & Master. In both professions, there is a full complement of local firms serving the Chinese business community.

This infrastructure of professionals has helped distinguish Hong Kong from other regional centres. Singapore, for example, will not let foreign firms practise the local law. By contrast, when investors come to Hong Kong they know they can call on lawyers equally expert in the arcane details of corporate finance law and arbitration procedure in China. Similarly, there are squads of accountants and consultants ready to crawl through the books of an acquisition target.

The problem for Hong Kong is that the quality of professional service is likely to deteriorate as the brain drain gathers momentum. The cost of professional service has risen dramatically: salaries for accountants have been rising at between 20 and 30 per cent a year for each of the last three years, and these increases have successfully been passed on to clients.

Surveys suggest that between 60 and 70 per cent of people in both professions want to leave. The figures are likely to be suspect, but they probably represent the mood in the professions reasonably accurately.

The big, international firms of accountants (which are largely staffed by local Chinese even if the majority of partners are ex-patriates) have responded to the brain drain not only by raising salaries but by shipping in well-qualified staff from overseas.

The large, purely local, accountancy firms do not have this option. "Last year, my secretary of 17 years standing went to Canada," laments Mr Peter Wong, legislative councillor and senior partner of the 550-strong Kwan, Won, Tan Fong, "and my senior manager in charge of the trade documentation department left after 20 years. That sort of experience is irreplaceable. Of course, it is the most experienced, and the most valuable staff, who are tending to leave."

Not surprisingly, the international accountancy firms are having no trouble recruiting large number of graduates this year. Young people realise that working for internationally-known firms such as Price Waterhouse and Peat Marwick, the two biggest in Hong Kong, will make them marketable overseas.

The legal services market can be divided into three tiers: international firms, local Chinese firms, and Deacons and JSM. The firms are on the whole much less specialised than in the UK or the US, but as a generalisation it is fair to say the international firms, and Deacons and JSM, tend to serve the Anglo-Saxon Hongs and overseas multinationals with business in Hong Kong, plus the financial services industry, while pure Chinese firms will act for the local Chinese entrepreneurs.

The international firms are staffed largely with ex-patriots who are expert in specialist areas of law while Deacons and JSM employ rafts of local lawyers. Mr E.P. Mackay, managing partner of Deacons, says that there has been no deterioration in the quality of recruits. Mr Anthony W.K. Chow, partner in Peter C Wong, Chow & Hui Bon Hoa, a medium-sized local legal firm, is much more pessimistic. He says that the quality of people applying for articles at his firm has fallen sharply over recent years.

"There is still the same quantity of lawyers being churned out of the local universities," he says, "but the calibre of the graduates is getting steadily worse."

Bright students have opted to do accountancy while those doing law have a "get rich quick mentality" compounded with a willingness to be unethical.

"They know they will not be able to get out of Hong Kong by virtue of being lawyers," he says, "but the only way they can do it is by qualifying on the grounds of wealth. They are more than willing to cut corners."

If this trend is universal, it will probably have the effect of driving more work to the "gwello" or non-Chinese firms. They find no trouble in recruiting good overseas lawyers who want to spend some time in Hong Kong.

Queueing for information about visas at the US consulate

EMIGRATION

No plugs for the brain drain

MORE THAN 1,600 dead bodies were flown, shipped or carried out of Hong Kong last year, a 23 per cent rise from 1988 and nearly 60 per cent higher in 1987. The immigration department provides no details on where these bodies are going, but the strong upward trend is a macabre reminder of one of Hong Kong's biggest nightmares; the brain drain. As more and more of the colony's professionals set up home overseas, the desire to have family members nearby, even if dead, is taking hold.

The Government expects a record 55,000 Hong Kong people to leave the colony this year, more than 1,000 a week. Most will leave behind successful jobs and stable homes to head for at least two or three years of possibly lower salaries and lower status in their chosen country, usually Canada, Australia or the US.

Emigration is having a severe impact on Hong Kong's economy. Wage rises last year in the worst affected sectors, such as financial services, topped 30 per cent as companies fought to hold on to skilled staff.

Vacancies created by emigration have to be filled by expensive ex-patriates or, more likely, by young and often inexperienced local employees. Mr Peter Wong, representing accountants in the colony's Legislative Council, said he feared a decline in standards.

Dr Ho Shiu-wai, chairman of the government doctors association, said more and more government doctors were heading for the private sector to earn more money before emigrating. Wastage rates rose to 12.1 per cent last year, compared to 9.9 per cent in 1988 and 8.8 per cent in 1987.

People are leaving because they do not trust China or do not believe their freedoms will remain intact after Hong Kong returns to Chinese sovereignty in 1997.

The Hong Kong Government and companies in the colony are therefore pinning their hopes on the British Nationality Bill, which seeks to provide British passports as an "insurance policy" to 50,000 heads of households, who can then stay in Hong Kong. Passports will be granted on the basis of a points system and will be targeted at those people who play important roles in the running and prosperity of the colony. The bill is expected to become law and the first passports granted later this year.

The bill aims to stop professionals, administrators and managers leaving Hong Kong. Last year emigrants in this category made up 23 per cent of people leaving, although they make up less than 6 per cent of the overall population. With the help of the bill, the Hong Kong Government expects emigration to plateau at 50,000-55,000 per annum, and hopes the proportion of professionals and managers will start to drop off. If the figures prove correct, the Government aims to limit the damage caused by the brain drain.

Only a fraction of the numbers wanting to leave will be satisfied by the bill. Engineers, for example, are one of the targeted groups and 3,230 passports have been set aside for heads of households in this sector. The Government estimates there are 57,300 engineers in the colony, so most will be disappointed. Those not accepted may try applying to other countries. But if they cannot qualify under the British scheme, they may also not qualify for other packages, on the basis of age, skills or assets.

The Government hopes other countries will follow Britain's lead. Singapore had announced a scheme to attract 25,000 skilled workers and technicians who, once they receive residence rights, can delay entry for five or possibly 10 years. About 11,000 applications have been approved, while Singapore has approved about 10,000 applications from professionals under a separate scheme, according to Mr Gordon Seow, Singapore Commissioner in Hong Kong.

There are hopes that countries such as the US, which allows 5,000 people born in Hong Kong entry rights each year, will raise its quotas and relax its rules to allow people to stay in Hong Kong longer before having to exercise their emigration rights.

Longer term, the Government is trying to attract back to Hong Kong those people who have already emigrated. The civil service has started advertising job opportunities in Chinese language newspapers in North America and the Government hopes to raise educational standards in Hong Kong to attract more people back.

Large-scale emigration from the colony only really started in 1987-1988, and most emigrants need two to three years in their chosen country to secure a full passport. So it will not be until next year that the numbers of emigrants starting to return can begin to be assessed.

The most important part of the Government's strategy is to increase the numbers of students graduating from the colony's universities. Last October Governor Sir David Wilson announced an ambitious package to lift the numbers of first degree places in tertiary institutions from 7,000 a year to 15,000 a year by 1995.

Companies are developing their own strategies to deal with the brain drain and hope the slow-down in the Hong Kong economy will help. Citicorp employs 2,200 people in Hong Kong. It reduced its overall attrition rate to 22 per cent last year, from nearly twice that figure three years ago, by changing recruitment and training strategies, according to Mr Steven Baker, division executive for north Asia. The bank has several emigration related programmes to help staff.

Along with many other companies, Jardine Matheson, which has 45,000 employees and is the colony's second largest employer after the Government, is trying to recruit Hong Kong Chinese from Canada and the UK as well as other Asians from the region.

Angus Foster

CORPORATE MIGRATION

Flight abroad takes shape

IF 1989 was the year Hong Kong's listed companies rushed to switch domicile to Bermuda or the Cayman Islands, 1990 looks like being the year that companies applied for secondary stock market listings overseas.

Of the 10 or so companies known to be preparing to list overseas, last month's move by two parts of the Jardine Matheson group – Jardine Matheson and Dairy Farm – to go to London is the most important.

Overseas listings are the most visible sign of a general move to spread risk outside Hong Kong before 1997. Last year's crackdown in Peking and the emergence of a more hardline Chinese leadership has prompted businessmen to speed up contingency plans ahead of the colony's return to Chinese sovereignty.

Private wealth is also moving out and the steady stream of companies switching domicile continues. Department store group Lane Crawford, part of the HK$1 of World International empire founded by Sir Yuekong Pao, is the highest profile move to Bermuda so far this year.

Private wealth is moving due to the brain drain, which this year could see as much as HK$45bn leaving the colony. The figure is based on an expected total of 15,000 families emigrating with each family estimated by emigration officials to invest about HK$2.5m to HK$3m in property and businesses in their destination country.

Mr Colin Robertson, Canadian consul in Hong Kong, estimated that capital flows from Hong Kong to Canada have been between HK$13bn and HK$18bn a year in the period 1987-89. Investments not directly related to emigration, and usually channelled into property, could add another C$2bn (HK$13.2bn) each year to that total, he added.

Companies are looking overseas as an insurance policy against a "worst case scenario" in Hong Kong, and as a way to lift their share price and raise capital, and to broaden their investor base.

Burwill Holdings, a small local trading company also listed in Singapore falls into the first category. "Should something go wrong in Hong Kong, the only alternative place for a company like us, which is dependent on communications and infrastructure, is Singapore," said Mr Ulrich Hoffman, managing director.

With Hong Kong's market trading on an average price earnings ratio around nine times compared to about 20 times in Singapore and Malaysia, companies in the colony are reluctant to raise cash in Hong Kong, especially after the volatility of last year. In the first five months of 1990 three companies have concluded rights issues, compared to 10 in the same period last year.

Gold Peak Industries, a local electronics group, is floating off its battery division via a public offering in Singapore, although the group's main listing will remain in Hong Kong. The company expanded rapidly in the late 1980s until a planned rights issue last year was abandoned during the China crisis. The company's shares trade at about six times earnings in Hong Kong. Some analysts think it will get twice as high a rating for its Singapore subsidiary.

An overseas listing is neither cheap nor quick. Burwill's introduction took four months and cost about HK$1m, roughly the same as moving domicile to Bermuda. Gold Peak's public offer may cost 3-4 per cent of funds raised.

Some companies have decided against listing overseas. Shares in First Pacific, an aggressive regional conglomerate, are trading on a prospective p/e ratio of six times and at a discount to stated net asset value of more than 10 per cent. But less than 10 per cent of last year's earnings were derived in Hong Kong.

First Pacific is not moving its listing, but has shifted domicile to Bermuda. As with most companies, First Pacific believes Hong Kong is still the best place for an operational headquarters. First Pacific, not wishing to try a rights issue in Hong Kong, last month floated its Philippine subsidiary, Metro Drug, at a p/e ratio double that of the parent.

The number of companies domiciled outside Hong Kong is unclear. The stock exchange says 55 of its 292 listed companies have switched but bankers say the figure is closer to 70 with 20 more in the pipeline.

Switching overseas can be sound business sense. For companies with overseas earnings, a Bermuda holding company is one way to isolate foreign earnings from Hong Kong tax. Switching domicile can also make sense for property companies because places such as Bermuda do not have stamp duties, unlike Hong Kong.

Angus Foster

Angus Foster looks at industry and its links with the mainland

China syndrome haunts groups

THE GHOST of last June's massacre in Peking has come back to haunt Hong Kong's manufacturers. Then, businessmen with factories in southern China received calls from their US and European buyers who were worried production would stop. Now, the same buyers are fretting about the US withdrawing China's Most Favoured Nation (MFN) status.

Hong Kong's investment into the Pearl River Delta grew rapidly in the 1980s as China's open door policy swung ajar. By the end of the decade Hong Kong factories, especially in the electronics and toy sectors, were thought to employ between 1.5m and 2m workers in southern China, with a further 1m in spin-off activities.

The move into China gave Hong Kong's industry breathing space as its own cost structure rose and lost competitiveness against emerging manufacturing bases in the region. By 1989 the number of workers employed in the manufacturing sector in Hong Kong had fallen to 803,000 (equal to 33 per cent of the labour force) compared to 892,000 in 1980 (40 per cent).

However, China's austerity programme, launched late in 1988, has prompted manufacturers to reconsider relying on China because they have faced growing labour and infrastructure difficulties. Now, after the shocks of last year and the problems of MFN, there are signs Hong Kong is speeding up earlier plans to diversify elsewhere into Asia.

Electronics group Tomei employs some 11,000 Chinese workers and produced 98 per cent of output in China last summer, according to Mr Johnny Lau, managing director. By 1991, that figure will come down to 60 per cent as the company speeds up moves to Malaysia and Indonesia.

The Malaysian Government estimates Hong Kong companies pumped HK$1.02bn into Malaysia last year, up 13.9 per cent on the 1988 figure.

Thailand is popular, especially among toy manufacturers. An estimated 35 to 40 Hong Kong toy makers have moved some production to Thailand, including Kader Industrial, one of the colony's largest.

Industry in Hong Kong is still characterised by multi-storey factories producing a range of light industrial and consumer goods. Garments and textiles makers, largely unable to move to China because of export quotas, make up the largest industrial sector and last year produced exports worth HK$88.7bn, up from HK$83bn in 1988.

Other important sectors include electronics, which last year sold HK$55.8bn worth of goods abroad, toys and watches and clocks. Over 90 per cent of Hong Kong's manufacturing output is exported and the US remains the colony's largest market, taking in 32 per cent of total exports from Hong Kong last year.

The question facing industry is whether to carry on moving production out of the colony, either into China or overseas, or whether to upgrade technology. If Hong Kong is to remain a manufacturing centre in its own right, government and some industrialists argue businesses have to upgrade technology and compete in higher value added markets.

Hong Kong's success hinges on making other people's goods. The textile industry has invested in technology to fight a wage spiral and it has earned a good reputation for design. But in other manufacturing sectors, technological upgrading has tended to come from technology transfer from overseas and from upgraded orders from overseas Original Equipment Manufacturers (OEM).

With nearly 70 per cent of companies employing fewer than 10 people, managers look at payback periods of three to four years and avoid investment in research and design.

The Government stresses improved technology but it provides little assistance. The Government believes decisions should be left to the market place and its role is to provide infrastructure for industry, including labour, as well as support such as stimulating quality and innovation.

Investment for industry lags behind Hong Kong's Asian competitors, a policy which is unlikely to change, says Mr John Chan, Secretary for Trade and Industry. While few doubt the policy worked in the past, some question whether it should continue given the problems the colony faces.

INWARD INVESTMENT

Outsiders see brighter future

THE Tiananmen Square crisis has prompted a great deal of bet-hedging on the part of Hong Kong businessmen, many of whom are shifting their assets overseas even if they are not emigrating. But this lack of confidence in the future of Hong Kong is not necessarily shared by overseas investors.

In spite of all the uncertainties, businessmen from the US, from Japan, Taiwan and elsewhere, have been taking a sober look at prospects for Hong Kong and coming to the conclusion that the long-term commercial future is good.

In the financial services sector, for example, a total of 11 banks have been granted full banking licences since June 4 last year, the highest number in any 12-month period since foreign banks were first allowed into Hong Kong in 1980. Some nine Japanese financial institutions established themselves here over the last year, including four large life assurance companies.

Another positive development is the acceleration in the number of companies chosing to site their headquarters for the Asia-pacific region in Hong Kong. Companies taking such a rosy view of the future include the Yaohan International Group, the Japanese retail group, and General Motors of the US.

Further examples of post-Tiananmen investments include: the Seiyu Group of Japan's purchase of 40 per cent of the Wing On department store chain; the Government's HK$600m sale of the Hang Lung Bank to Dao Heng Bank, a company controlled by Malaysian and Kuwaiti interests; Montedison, the Italian group, has committed of US$100m to build a polystyrene plant and last year NEC of Japan said that it would set up a factory to mass-produce personal computers.

The Government argues that investment in manufacturing is the best indicator of overseas investors faith in Hong Kong over the long term.

"Even when you are setting up your regional headquarters here or establishing a financial services base capital can be transferred out at very short notice. It is different with manufacturing," argues Mr Andrew Leung, deputy-director of industry at the Industry Department.

If investing in manufacturing is good, Japanese investment in manufacturing is better. The figures from MITI show that Japan invested US$1.66bn in Hong Kong's manufacturing sector in 1988, taking its cumulative investment since 1951 to US$6.1bn. The amount invested in manufacturing in 1988, the last year for which statistics are available, was considerably higher than the US$0.59bn invested in Indonesia, which still has the highest cumulative investment.

While the US's share of Hong Kong manufacturing dropped from 36.4 to 34 per cent between 1985 and 1988, Japan's share rose from 21.1 to 26.6 per cent over the period.

Another important area for investors is property. Here there are no accurate figures available but the Japanese are thought to have been investing up to HK$5bn a year from 1987 to 1989.

According to Mr Godfrey Blott, executive director of First Pacific Davies, Japanese investment fell off sharply in the aftermath of Tiananmen Square, but has started to pick up again in recent months in spite of rising interest rates in Japan and a fall in the value of the Yen. The average size of the investments has fallen to between HK$50m-HK$100m, he observes, and many of the deals are being done by wealthy individuals anxious to diversify out of Japan.

Foreign investment is not enough to guarantee prosperity after 1997, although it gives an important indication of confidence. However, it is not surprising that that confidence is not shared by local residents who risk more than assets and profits by staying here.

David Waller

PROFILE: Jardine Matheson

Resident with a new address

JARDINE MATHESON, Hong Kong's most princely "hong" trading company, has never been forgiven for starting the colony's pre-1997 corporate migration when it announced in 1984 that it was moving its domicile to Bermuda.

But with all the self-confidence of a group founded by proud Scottish China traders nearly 160 years ago, there is no apology or regret. Mr Nigel Rich, the 44-year-old managing director, says he is glad the move was made.

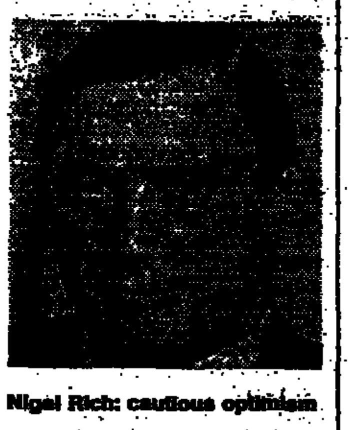
"The decision has been demonstrated to have been in the best interests of the shareholders and the company because it has given us confidence to have a substantial continuing business in Hong Kong, knowing that our foreign assets are safe in an off-shore domicile."

Mr Rich believes that the company's stance was more than vindicated again at the end of last month when its Hong Kong share price rose significantly after it again took the migration lead and announced it was listing its shares in London and Luxembourg. Its Dairy Farm retailing subsidiary has also been listed in the two cities and the rest of the group is expected to follow later. Listings are also possible in the US.

The listings are primarily intended to broaden the shareholder base, but they also increase post-1997 security. "They have made international institutions sit up and take notice of us as an international group," says Mr Rich. As an example, he was told by West German institutions during a road show in Europe last month that they would now buy Jardine shares in London – they had not been able to do so in Hong Kong.

Mr Rich runs the group on a day-to-day basis for the Keswick family, who preside from London and have a controlling 10 to 20 per cent interest through 4 to 5 per cent personal holdings of Mr Henry Keswick, the chairman, and his brother Simon, plus family trusts.

Through cross holdings in Jardine Strategic, the group consists of: Hongkong Land, which is one of the colony's



Nigel Rich: cautious optimism

most famous property developers; the Mandarin Oriental hotel chain; Jardine Pacific, which embraces a wide range of Asian and Australasian retailing, restaurant and trading companies; a Jardine Fleming merchant bank joint venture; and insurance brokers.

Market capitalisation is US$2.38m (share capital and accounts were redenominated in US dollars to coincide with last month's new listings). Profits after tax were 42 per cent up last year at US$195m on turnover of US$4.64bn. About 30 to 40 per cent of the assets, 50 per cent of the profits, and 55 per cent of the 94,000 employees are outside Hong Kong.

Mr Rich views Hong Kong's future with "cautious optimism." His caution stems from concern about how China's politics and leadership will develop, and whether they will come to appreciate the value of Hong Kong. "One hopes they will leave one alone to run things well here."

Unlike most of the companies that have joined the Hong Kong exodus, Jardine has established a corporate headquarters, and a resident director with two staff, in Hamilton, Bermuda. They are housed in a colonial style, five-storey block called Jardine House.

"I object to the word exodus," says Mr Rich. "We have re-domiciled in Bermuda with a very small presence. We are still resident in Hong Kong with our businesses evolving internationally."

John Elliott

PROFILE: Yaohan

A move against the migrant tide

MR Kazuo Wada, a 61-year-old Japanese businessman who gets up every morning to meditate before breakfast, is fast becoming the toast of the colony.

At a time when many other companies are leaving the colony because of worries over 1997, Mr Wada has decided to move the headquarters of his Yaohan department store group from Tokyo to Hong Kong.

Last month he and 15 top executives from Japan took up residence on the 50th floor of a skyscraper overlooking the colony's harbour.

He is not concerned about the political worries facing Hong Kong. He says China has realised the dangers of being isolated after the Tiananmen Square crisis.

"I'm fully confident Hong Kong will continue with its success if people carry on doing what they have been doing," he adds.

Mr Wada's move against the tide into Hong Kong is characteristic of a man who many regard as a maverick. A one-time communist sympathiser, he had planned to be a diplomat before he was called back by his parents to take over the family business.

He shunned traditional Japanese corporate logic by deciding to expand overseas rather than in Japan.

The group's local arm, Yaohan (Hongkong) was listed on the Hong Kong stock exchange last year and the newly-formed holding company for the group, Yaohan International, has big plans in Asia, the US and London.

Overall, Mr Wada wants to lift group worldwide sales from US$1.54bn last year to Y1,000bn (US$7.145bn) by 1997, when Hong Kong reverts to Chinese sovereignty. He also wants the proportion of turnover outside Japan to rise from 40 per cent to 60 per cent in the next two years.

Yaohan is building a Japanese shopping centre on a 10-acre site on the Edgware Road, in north-west London. The group is building a Japanese-style hotel in New York, complete with cedar bathtubs and tatami mattresses.

Mr Wada says he chose the colony as the base from which to launch his global ambitions for several reasons.

He finds Hong Kong more international in outlook than Tokyo and also points to its corporate tax rate of 16.5 per cent which is much lower than the average 60 per cent paid in Japan. Land is also far cheaper.

Yaohan looked at the US and Singapore as possible alternatives. But Mr Wada wanted to be in Asia at the start of what he describes as "Asia's era," and he feared Singapore was becoming over-regulated.

Soon after setting up his Hong Kong headquarters last month, he spent HK$85m buying the luxury home of Mr William Purves, chairman of the Hongkong Bank and now a

Kazuo Wada: becoming the toast of the colony

personal friend, situated on top of the colony's exclusive Peak district.

Mr Wada says the thing he is most looking forward to about life in the colony is Chinese food – he intends to buy a chain of Chinese restaurants. He also likes his new house, although it will only be used to entertain guests.

Angus Foster

Angus Foster looks at the slow recovery of the tourist trade

Business travel is just the ticket

THE TOURISM industry is slowly starting to recover from last June's China crisis, which in the following months knocked tourist arrivals down 20 per cent. Cancellations and changes in travel plans meant arrivals for 1989 dropped 4.1 per cent to 5.36m, the first such decrease for more than a decade.

Tourist receipts managed to keep slightly ahead of inflation, rising 10.7 per cent to HK$36.9bn, making it Hong Kong's third largest export earner.

A prolonged downturn in visitor arrivals, which looks unlikely, would not only damage the tourism industry but would have a marked knock-on effect on hoteliers and retailers who also rely on visitor spending.

Latest figures from the Hong Kong Tourist Association show arrivals for the first three months of this year down 0.8 per cent at 1.3m on the same period in 1989. But the association expects arrivals for the year to recover by between 8 and 10 per cent above last year as tourists.

The long haul tourist market from the US and Europe has been worst affected. Arrivals from the US and Canada were down 13.5 per cent to 177,502 people in the first quarter of 1990.

Mr Martin Barrow, chairman of the association, stressed the importance of the long haul market. "Their net benefit to the Hong Kong economy is greater because they spend more on local services and hotels," he said. Groups such as the Japanese spent proportionately more on shopping for European luxury goods, which were not so profitable for Hong Kong.

One sector less affected by last year's downturn was business travellers who accounted for 24 per cent of visitors, up 3 per cent from 1988. Businessmen visiting Hong Kong for corporate meetings and exhibitions grew most rapidly, reflecting the mid-year opening of the Hong Kong Exhibition and Convention Centre. The trend is promising since convention visitors stay twice as long and spend three times more than average, according to Mr Barrow.

Taiwanese visitors continued to grow in importance. A total of 1.13m Taiwanese visited Hong Kong last year, up 3.6 per cent on 1988, and equal to 21 per cent of total visitor arrivals.

The Taiwanese market has twice been cast into doubt this year. A recent proposed boycott of Hong Kong by Taiwanese travel agents angry over the colony's entry visa requirements was narrowly avoided after the Hong Kong Government agreed to simplify its procedures and issue multiple re-entry visas.

There are suggestions that direct flights between Taiwan and China might be started which could threaten Hong Kong's role as a stop-over. Last year one in two Taiwanese visitors to Hong Kong also went to China.

Mr Barrow said direct flights would lead to an overall increase in travel. The Taiwanese would still want to come through Hong Kong on their way to or from China for shopping or business. Last year shopping made up 65 per cent of the average Taiwanese visitor's spending in Hong Kong.

Growth in tourism in the mid-1980s led to an increase in hotel construction and hotel rooms are expected to increase a third to 36,600 by 1992. With this extra supply coming on stream, and Hong Kong's Kai Tak airport reaching capacity by 1994, the HKTA launched a "Stay an extra day" campaign in the wake of the June slow down. The association hopes to improve Hong Kong's image as a centre for culture and activities as well as the traditional attractions of shopping and night life.

PROFILE: Mr Li Ka-Shing

Happy where he is

"ON AVERAGE Hong Kong is still a better place to make profits in the medium term than elsewhere," says Mr Li Ka-Shing, one of the colony's leading tycoons. He has built up a property-to-telecommunications empire headed by Cheung Kong and Hutchison Whampoa with a combined capitalisation of HK$72bn since he started making plastic flowers 30 years ago.

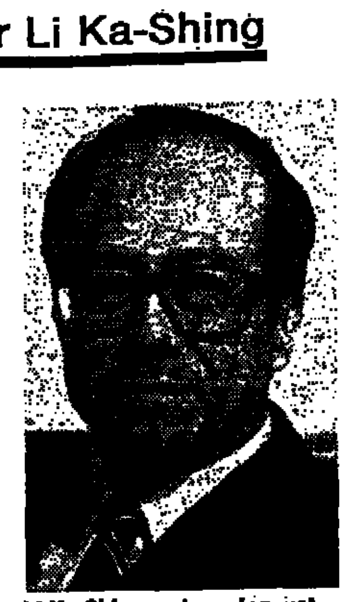
That comment is frequently heard from Hong Kong's ethnic Chinese business community. They want to diversify abroad ahead of 1997, but they find that conditions outside their home territory are not so favourable and that their talents do not mesh so easily.

"First there is Hong Kong's low taxation," says the 61-year old, known to his colleagues as K.S.Li, "then there are all these people in a small space of less than a mile so that if you want to do a deal you can do it in half an hour. There is also the ease of communication and availability of property, lack of bureaucracy, and the territory's role as a door to China's 1bn people."

Mr Li is concerned about what China's Communist Government will do after 1997 by diluting Hong Kong's entrepreneurial traditions and maybe even by trying to take over company assets.

He has come under growing pressure from fellow directors to join the corporate migration and to move the domicile of his primary businesses to Bermuda. Owners of companies in the US and Canada, in which he is considering taking controlling interests, are also unhappy about being owned by someone domiciled in part of China who could be taken over by Peking.

"To this hour I still say no to moving, but the world is changing quickly," says Mr Li. "It would be quite damaging to confidence in Hong Kong if I went, though not so serious as a few years ago. But I want to be fair to my shareholders as well, so that I cannot guarantee for ever that I will not



Li Ka-Shing: not moving, yet

move my headquarters away."

Mr Li says that about 20 per cent of his companies' assets are outside Hong Kong and he would like to expand this to 30 per cent or more, especially in the US and Canada and in south-east Asia.

His interests in Hong Kong account for 14 per cent of the stock market and include residential property developments and a 22.5m sq ft land bank, plus an electricity supply company. Hutchison has HK$10bn in three terminals in the local container port and intends to bid for a fourth terminal.

Cheung Kong has highly profitable cement, quarrying and ready mixed concrete companies and Mr Li says he might bid for part of the planned airport. Hutchison has telecommunications interests including a stake in the Asiasat communications satellite.

Mr Li, born in Chiu Chow in southern China in 1928, has personally financed substantial charitable projects on the mainland, including a planned US$10m power station in his home area to help power a university he has set up.

He has close contacts with Peking and was warmly greeted in public last November by Mr Deng Xiaoping, the veteran Chinese leader, as a member of the post-1997 Basic Law drafting committee.

He believes that Sir David Wilson, Hong Kong's Governor, is doing a good and valuable job. But he wants the UK, China and Hong Kong to start talks that would iron out problems in private, instead of making public statements that upset confidence.

John Elliott

David Waller looks at financial services

Not all gloom and doom

THE FUND managers, merchant bankers and stockbrokers of Hong Hong are a palpably happier lot than their counterparts in New York and the City of London. Here, there is no recession in the financial services industry, no doom and gloom, no mass sackings. Quite the contrary: there is great confidence about the future of Hong Kong as a financial services centre for the region, Tiananmen Square and 1997 notwithstanding.

Hong Kong ought to be irreplaceable as a financial services centre. It has its geographical position, excellent communications, its physical infrastructure of roads, buildings and airport(s), its professional infrastructure of accountants and lawyers and a market-mentality which has grown up over more than a century of vigorous commercial activity.

These factors help explain why there are over 160 banks in Hong Kong, 11 of which have come here since the Tiananmen Square massacre, some 550 firms of stockbrokers (of which 51 can be classified as international), 33 unit trust managers running 350 locally-based funds, not to mention dozens of other fund managers looking after international investment portfolios from Hong Kong, and squadrons of merchant bankers eager to put together deals across Asia.

The financial services industry accounts for some 20 per cent of Hong Kong's gross domestic product. The industry considers that it has cleaned itself out after the corporate scandals which followed the property crash of the early 1980s, and it appears to have recovered from the closure of the stock exchange for four days after the October 1987 crash, the collapse of the futures market, and the arrest of Mr Ronald Li, then stock exchange chairman, shortly afterwards.

However, there are clouds on the horizon. Among the imponderables include the possible knock-on effect of the Savings & Loans crisis in the US and the impact of a property crash on Hong Kong banks. Others are worried about the influence of China in the aftermath of 1997; the increasing burden of regulation on the financial services industry; and the threat from other financial centres in the region.

China is formally committed to maintaining "two systems" after 1997, one for capitalist Hong Kong and one for the rest of the People's Republic. The Basic Law which comes into effect in 1997 contains safeguards which ought to guarantee the future of the financial services industry: not least, that Hong Kong will levy is own taxes and that it will keep its various financial markets, and that there will be no exchange controls.

It is not surprising in the wake of Tiananmen Square that people question whether China will keep faith with the provisions of the 1984 Sino-British agreement. Even if it does, there cannot fail to be a change in the business culture of Hong Kong. The Basic Law is silent on the subject of who will oversee the financial services industry. If it gets the wrong man it might become difficult to continue to do business in Hong Kong.

Another problem could be corruption and and interference on the part of junior officials. "I find it hard to believe that the Chinese will respect the rule of law and it is inevitable that the system as we know it will be challenged – perhaps in a dispute between a state-owned Chinese company and a local business," says Mr John Greenwood of GT Management (Asia).

The threat from China is seven years hence: more immediate is the threat from within, according to some. In recent months, there has been a crescendo of complaints about Hong Kong's regulatory environment. Many businessmen claim – particularly those from Jardine Matheson – that the death-knell to Hong Kong's financial services industry is being sounded not by the Chinese but by a small squad of five senior regulators, from Canada, the UK and the Antipodes, who head the Securities and Futures Commission.

The SFC came into being just over a year ago on the recommendation of Mr Ian Hay Davison's report into regulation in Hong Kong, commissioned in the immediate aftermath of the 1987 crash. It has provoked a lot of resentment.

"Regulators have been imported from every corner of the globe to impose detailed regulations," reads a Jardine memorandum on the subject, "on a financial community which broadly speaking divides into two halves – those who do not intend to obey the rules and those who do not understand them."

There has been much squabbling between the SFC and the stock exchange, and much criticism that the new batch of regulators have not, in the words of Hongkong Bank chairman Mr William Purves, learned to "bend with the bamboo." Mr Robert Owen, SFC chairman and the target of much flack, says that it is all a mistake.

"It is true that listed companies here face a dramatic increase in the amount of regulation," Mr Owen observes, citing new legislation on disclosure and on insider dealing, as well as stock exchange listing rules.

"Not a single new rule which the SFC has produced impinges directly on the quoted companies. What we are seeing is a general reaction to change, people harking back to a golden era when there was no regulation." Many people have criticised the SFC's 200 staff, believed to be significantly higher than Mr Davison thought necessary. This is rebuffed by Mr Owen: "The actual increase in front-line regulators under the new system is only 40 per cent."

Mr Owen says that few people can come up with specific examples of SFC interference. By contrast, he likes to illustrate the positive effect of the SFC's work by reference to the fund management industry, where the time required to get a unit trust authorised has dropped from 150 days-plus a year ago, to 21 days. Mr Philip Gray, chairman of the Unit Trust Association, says that Hong Kong is a much more attractive place to locate an offshore mutual fund than it was a year ago, "when Hong Kong was completely moribund in this area."

What about the threat from other financial centres? In the long term, there may well be a surge in banking business in Bangkok, Jakarta, Kuala Lumpur, even in Manila. But, excluding Tokyo, the only serious threat comes from Singapore and possibly Taiwan.

Ignoring Armageddon scenarios, the threat to Hong Kong must be limited: Taipei is still cut off from mainland China, and the highly interventionist stance of the Singapore Government, not to mention the repressive political regime, are likely to deter significant transfers of financial services business from Hong Kong.

Assuming no crises, the future should be good for Hong Kong's financial services industry.

Artistic expression is becoming more political

To sponsor or to censor

IN A city which prides itself on its conspicuous devotion to mammon, proof of Britain's final contribution to artistic and cultural expression in Hong Kong has too often been counted in the new concrete and glass structures which serve as the territory's grand venues for visiting artists.

However, Hong Kong's premier venue – the Cultural Centre which consists of a large ski-slope shaped complex perched on the tip of the Kowloon promontory – has drawn an impressive array of world-class entertainers since its gala opening in November including including sopranos Dame Joan Sutherland, Jessye Norman, violinists Isaac Stern and Yo-Yo Ma, and the Boston and Cleveland orchestras.

Its concert halls, which are among the best in Asia and are attracting a noticeably young Chinese crowd, are also a permanent home to the government-funded Hong Kong Ballet and the Hong Kong Philharmonic.

However, behind the glitter, one of the most immediate and sensitive questions facing the Hong Kong Government and its public sponsorship of the arts is how to respond to a rise in creative energy from Hong Kong's grassroots Cantonese-language theatre and dance companies, many of which have become intensely politicised since the violent repression of the Tiananmen Square democracy movement in China last year.

These companies produce up to 40 productions a month and are responding to a growing popular appetite for serious political drama. Recent performances of Western drama adapted for Cantonese audiences, such as Arthur Miller's The Crucible have been packed.

"Theatre and the performing arts have become a magnet for young people since June 4. There is obviously an urgent need to seek for Hong Kong's identity on the stage," observes Ms Estella Tong, art director at the British Council.

The colony has until recently been only a weak generator and promotor of its own home-grown culture, which is often a unique and experimental hybrid of Western and Chinese styles.

Prospects for Hong Kong artists outside the large and primarily Western government-subvented companies have begun to brighten, however, as the Hong Kong Government scurries to lay a foundation for private and business sponsorship of the arts before the territory reverts to Chinese sovereignty in 1997.

A difficult task facing the Government as it approaches 1997 will be maintaining its support of innovative arts groups without bowing to political pressure from China.

So far, the record is encouraging. Two of the territory's most outstanding companies, the avant-garde dance troupe Zuni Icosehedron (touring London and Washington on government money), and Exploration Theatre are performing works which register local outrage and soul-searching over the June 4 massacre.

Controversy is brewing over Government support of Exploration Theatre, an up-and-coming group which was recently awarded HK$1m of public seed grant money in recognition of its original playwriting.

Exploration's latest play, Crazy Countdown, is a black comedy which reflects on Hong Kong's commitment to the ongoing democracy movement and its own precarious identity in the run-up to 1997.

It would be easier to brush aside Hong Kong artists tackling of political subjects if they were outside the mainstream: in fact many of the most innovative and controversial groups, such as Exploration Theatre, are led by graduates from the Academy for the Performing Arts, which opened in 1985 as the territory's first institution to train young people to world class levels in drama, dance, music and the technical arts.

Endowed with an increasingly politicised and vocal student body, the academy – which grants scholarships to mainland artists – will have a delicate political balance to strike both before and after 1997. Dr John Hosier, academy director, is negotiating with the Ministry of Culture in Peking to bring more dancers and musicians from the Central Conservatory to join the academy.

Ultimately, the struggle of critical young Hong Kong artists with the problem of identity is neither a luxury nor a purely theoretical question. The survival of this fledgling, but outspoken indigenous arts community will affect Hong Kong's ability to maintain its image as a unique and dynamic business community after 1997.

Hong Kong may continue to fill its glittering public venues with Western performers, but as Dr Hosier points out: "What will continue to give Hong Kong its international viability after 1997, its name, will be its willingness to carve out its own identity, as distinct from China. That's the great selling point of this city, in business as well as the arts."

Nina McPherson

Kai Tak International Airport

Glyn Genin

AIRPORT CONSTRUCTION

Peking doubts

HONG KONG'S plans for the construction of port and international airport projects costing HK$127bn by 2006 have become highly controversial since they were announced by Sir David Wilson, the Governor of Hong Kong, last October in an attempt to lift the colony's confidence in the wake of the Tiananmen Square crisis.

The plans form the most high profile part of developments which are planned to start before the 1997 handover and are intended to involve a high degree of private sector participation, including international financing. The other projects include extensive land reclamation in the central harbour, large-scale sewerage construction, and the creation of a network for cable television and telecommunications.

China, which had not been consulted about the plans, quickly voiced concern after they were announced. In part, Peking was asserting significant pre-1997 influence over the territory. However, it is also concerned about the size of the expenditure and the debt that it would inherit in 1997.

The doubts have concentrated on the HK$35bn twin-runway airport, which involves HK$18bn of link roads and infrastructure including the world's longest suspension bridge, and HK$20bn for a new town and other associated works. The first HK$20bn stage of the airport is due to open early in 1997 with a single runway.

There are more widespread doubts about the need for new port facilities costing HK$50bn, which would increase container throughput five-fold by 2006. These are in addition to plans for two new container terminals at the existing port which last year was just ahead of Singapore as the world's busiest.

Such doubts stem partly from the economic growth rate which has slumped to about zero, and the passenger growth rate at the congested Kai Tak airport which has fallen to about half the 20 per cent recorded in 1988. Kai Tak, with some 15m passengers a year, is the world's sixth busiest airport, but the marked slowdown in the growth rate has eased what was fast becoming a potential full capacity crisis.

China has set up working groups in its Peking ministries to examine material obtained from the Hong Kong Government and is probably taking other plans into account. An international airport is being built 40 miles away in the Portugese enclave of Macao, partly financed by China, with separate entry points into Macao and the adjacent special economic zone of Zhuhai. China is building a domestic airport in Shenzhen, its highly prosperous economic zone just north of Hong Kong.

Hong Kong has to face the unpalatable fact that, until Peking indicates its approval, international finance will not be available because China's reservations have generated concern about the honouring of debt servicing after 1997.

Sir Piers Jacobs, Hong Kong's financial secretary, has said he is looking for a "firm decision" from Peking. He has also said that "at a pinch" Hong Kong could build the airport from its HK$71bn fiscal reserves because there would still be further reserves, contained in a special Hong Kong SAR Land Fund, to hand over to China in 1997.

This fund totals HK$17bn and is being built up with proceeds from government land sales. It is intended to help launch the new Special Administrative Region of Hong Kong in 1997. Meanwhile, Hong Kong is pressing ahead with preliminary stages of its plans. Consortia headed by Bechtel and Greiner of the US have been given the most important of a series of planning, project management, and design consultancy briefs, and other groups are lining up for construction contracts.

It is believed that China is not opposed to the plans, but is not ready to approve them. On balance therefore it seems likely that they will go ahead. But emphasis will probably be put on the fact that neither the airport's second runway, nor the HK$50bn port facilities, will be authorised until demand proves they are needed.

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